

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
MAY 16, 2012**

1. Call to Order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, May 16, 2012. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Manheimer, Pelly, Russell, Stanley, Watts and VeHaun. Mr. Root was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Marcus Jones with Henderson County, Ed Bradford, Dennis Lance, Stan Boyd, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Jim Hemphill, Angel Banks and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the April 18, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the April 18, 2012 Board Meeting. With no changes, the Minutes were approved as presented.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Mr. Jones. There was no public comment.

6. Report of General Manager:

Mr. Hartye reported the Planning Committee is recommending that a detailed Impact Study of the LRC recommendations be conducted. A process flow chart is attached. He stated that staff is attempting to get the necessary information and gauge the interest of other water purveyors to be included in the study.

Mr. Hartye reported that Daniel Marsh of GIS and Kevin Johnson of P&D gave a presentation about using MSD's GIS website to the Asheville Board of Realtors group on Wednesday, April 25th at their monthly meeting. He stated there were about 25 in attendance and it was well received. Also, MSD will have a booth at the Realtors Expo on Thursday at the Crown Plaza.

Mr. Hartye reported that Chief Anderson and his team came to meet and speak with the MSD System Services employees in general, and to meet directly with the crew involved in the recent accident. He expressed his appreciation to the Asheville Police for their service and their initiative to create a stronger bond with fellow public servants.

Mr. Hartye reported that MSD received a call regarding an MSD driver who was driving erratically. The employee was counseled and disciplined accordingly.

Mr. Hartye presented an article from the Hendersonville Times on the water issue. In addition, he presented an article from the Asheville Citizen-Times regarding rates, which speaks to MSD's proposed 2.5% domestic rate increase and industrial parity plan. He presented a copy of the full parity plan to show how rates have changed. He stated that MSD is 13 years into the 20 year plan. He explained in the very beginning you start out with low cost for the flow component for industry, and then take the flow

component and match it with the domestic. For any extra strength beyond domestic strength, industry pays extra for BOD and TSS, which is how it's typically done throughout the United States.

Mr. Hartye reported that the next Right of Way Committee meeting is scheduled for May 23rd at 9am. The next regular Board meeting and Public Hearing on the final Budget will be held June 13th at 2pm.

7. Report of Committees:

Right of Way Committee

Mr. Kelly reported the Right of Way Committee met April 25, 2012. An update on the City of Asheville greenway corridors was presented. The Committee considered Compensation Budgets on the Rash Road SSR; 14 Daniel Road SSR; Old US 70 @ Grovemont, which is part of the Consolidated Motion Agenda. The Committee received the Quarterly Report which provides information on the percentage of easements complete, percentage of compensations expended and comments on condemnations.

Personnel Committee

Mr. Vahaun reported the Personnel Committee met May 2, 2012. The Committee heard a presentation by Pam Thomas on the areas of activities within the Human Resource Department. The Committee considered the self-insured health plan and cost of living/merit pay plan and recommended a 2.0% COLA and a 2.0% Merit increase, along with a 1.0% increase in funding for the self-insured medical plan. With regard to the medical plan, Mr. VeHaun called on Mr. Hemphill for a report on how much the District will save in the coming year. Mr. Hemphill reported staff has reviewed every aspect of the medical insurance components to include the brokers, the providers, the third-party administrator, the insurance network itself, the re-insurance component and the pharmacy benefits manager. He further reported staff has worked with brokers to provide the best scenario possible and found some situations where things can be moved out of fixed costs into variables, which is better for MSD in that it will not be paying for something it is not using. He stated that \$200,000 will be shifted out of fixed costs into variables in order to save money and keep medical costs as flat as possible. Mr. Hartye stated that claims have increased due to an aging workforce, but because of the efforts of Mr. Powell and Mr. Hemphill, they were able to offset the increase in claims costs by lowering fixed cost. The Committee's recommendation is included in the proposed Preliminary Budget.

Capital Improvement Program Committee

Mr. Haner reported the Capital Improvement Program (CIP) Committee met May 3, 2012 and was well attended by representatives from each municipality and about 75% of MSD Board members. The Committee heard a presentation by Ed Bradford, CIP Director on the highlights of the current and proposed CIP Budget for FY 2012-2013. It was noted that SSO's are down to approximately 20 per year and MSD is in full compliance with its DENR collection system permit. The Committee recommended endorsement of the proposed CIP Budget in the amount of \$18,364,180, which includes a contingency of \$1,000,000 and an inflationary rate of 3.65% for the budget cycle.

Planning Committee

In the absence of Mr. Root, Mr. Aceto reported the Planning Committee met May 3, 2012. Mr. Clarke gave an update on the recommendations of the Legislative Research Commission (LRC). The Committee considered the process going forward with a discussion on whether to invite MSD member agencies to participate in the detailed

impact study. Mr. Hartye reported that following some phone calls, he received the following response: Weaverville, Biltmore Forrest and Buncombe County said yes. Hendersonville and Montreat said they will check and Black Mountain and Woodfin Sanitary Water & Sewer District said no. He stated that the timeline is very limited with the scope of service due by the June 13th Board meeting; have RFP's submitted by July 12th; selection of consultant by the July 18th Board Meeting; prepare the study from August to November, at which time, the findings will be presented to the Planning Committee and Board. In the meantime, staff will work to include anyone else who wants to be part of the study. He further stated that the first Phase of the process is to have the Asheville study done by the August-November time frame. The second Phase will include all of the other interested municipalities by January. Ms. Manheimer asked if the proposed RFP will come back to the Board before a selection is made. Mr. Hartye said yes. The Scope of Services will be presented to the Board at the June 13th meeting. Ms. Manheimer stated that the consultant for the City (Raftelis) will want to review it. The Committee recommends acceptance of the flow chart as a guideline for a detailed Impact Study of the LRC recommendations.

Finance Committee

Mr. Kelly reported the Finance Committee met May 9, 2012. The Committee heard a presentation by Mr. Powell on the Third Quarter Budget to Actual Review and an overview of the Proposed Budget for FY 2012-2013; the MSD Business Plan, and Rate Information. He stated staff recommends Tap and Facility fees remain at 2012 levels; a 2.5% increase in the Domestic Rate, which would be a .69 cent increase in the average single family monthly bill bringing the average bill from \$26.45 to \$27.14. Staff also recommends continuing the industrial rate parity plan, which includes a 3.9% average increase for the industrial section and incorporates the 2.5% Domestic rate increase. Following Mr. Powell's presentation, the Committee moved to approve the Proposed FY 2012-2013 Budget and Schedule of Sewer Rates & Fees. Mr. Kelly further reported that following a discussion regarding the Series 2008 A&B Resolution replacing the current Standby Purchase Agreement, the Committee moved to recommend to the Board approval of the proposed "Term Sheet" from Wells Fargo (Exhibit 1) and the proposed "Resolution" (Exhibit 2) approving Wells Fargo, NA as successor liquidity provider for the Series 2008 A&B revenue bonds. The Committee recommendation is a part of the Consolidated Motion Agenda.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets – Rash Road SSR, 14 Daniel Road SSR, Old US 70 @ Grovemont Avenue.

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets.

b. Consideration of Adoption of Revised MSD Sewer Use Ordinance:

Mr. Hartye reported that at the February meeting of the Board it adopted a Declaration of Intent to adopt the revised MSD Sewer Use Ordinance (SUO). The Ordinance was sent out to the local governing bodies within the District for review and comment. Only one comment was received from Biltmore Forest who had no concerns with the changes proposed. Mr. Hartye noted the State required changes to the SUO and staff recommends the Board adopt the revised MSD SUO.

c. Consideration of Acceptance of Developer Constructed Sewer System - Oakcrest Sewer Extension Project.

Mr. Hartye reported the Oakcrest sewer extension project is located inside the District boundary off Appalachian Way in the City of Asheville. The project included

the installation of approximately 783 linear feet of 8" gravity sewer to serve a forty-one (41) unit residential subdivision. Mr. Hartye stated that staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

d. Third Quarter Budget to Actual Review – FY 2011-2012:

Mr. Powell reported that Domestic User Fees are at budgeted expectations. Facility and Tap Fees are above budgeted expectations. This is due to the District budgeting its impact fees conservatively and receiving unanticipated revenue of \$610,000 from one development. Interest and Miscellaneous income are at budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the Hydroelectric Facility. Investment income is still experiencing recessionary pressure on the fixed income market. O&M expenditures are below budget to actual of 75%. Bond principal and interest actually spent are less than budget due to actual variable interest rates averaging .13% as well as timing of debt service principal and interest payments. Amounts budgeted for capital equipment and capital projects are rarely expended proportionately throughout the year and are expected to be fully spent prior to the end of the year.

e. Cash Commitment/Investment Report – Month Ended March 31, 2012:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 3 is the Investment Manager Report as of the month of March. The Weighted Average Maturity of the investment portfolio is 433 days. The Yield to Maturity is .77% and exceeds the benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 6 is the MSD Variable Debt Service report for the month of March. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of April, both issues have saved District ratepayers approximately \$5.3 million dollars in debt service since April, 2008.

f. Consideration of Resolution to Replace Current Standby Bond Purchase Agreement:

Mr. Powell reported the District has two series of variable rate debt. These issues are marketed on a weekly basis. Due to their variable nature, both series require a Standby Purchase Agreement. A Standby Purchase Agreement is an agreement with a bank to buy MSD bonds if there are no buyers in the secondary market. Currently the District has a 0.60 basis point agreement with Bank of America (BoFA) at an annual cost of \$318,000. He further reported at the May 9th Finance Committee meeting, staff communicated that Moody's Investors Service has placed BoFA on downgrade watch. Staff discussed the ramifications of the District's liquidity provider being downgraded as to the market and to the District. Staff inquired into the cost and possibility of entering into a Standby Purchase Agreement with Wells Fargo, NA. He stated that Wells Fargo, NA is the District's Underwriter for the bonds as well as Remarketing Agent and has performed well in both capacities. Wells Fargo, NA has agreed to enter into a Standby Purchase Agreement on the same terms and conditions as the current agreement. The fee will be at 0.53 basis points which amount to an \$111,000 savings over the three year period in question. The Finance Committee unanimously approved staff's recommendation for approval of the attached resolution and Wells Fargo as successor liquidity provider for the Series 2008 A&B revenue refunding bonds. Mr. Powell reported the current agreement has a termination clause which expires in June, 2013 and BoFA has agreed to waive the termination fee; allowing the District to negotiate a better deal with Wells Fargo, NA.

Mr. Watts moved that the Board approve the Consolidated Motion Agenda as presented. Ms. Bryson seconded the motion. With no discussion, Mr. Aceto called for the question. Roll Call Vote was as follows: 11 Ayes; 0 Nays.

9. Consideration of Resolution Adopting the Preliminary Budget for FY 2012-2013 and Schedule of Sewer Rates & Fees:

Mr. Powell reported that behind the Introduction tab is the District's Budget message. Included in the message is: Current Year Highlights – domestic and industrial revenue are expected to meet budgeted projections; the proposed \$14.7 million operating budget represents routine expenditures and capital equipment acquisitions needed for the day-to-day operations of the District. Highlights of significant components and changes for the upcoming year are included. The Capital Improvement Program section outlines the proposed \$18.4 million construction budgets as well as the outstanding debt and debt service. The Sewer Rate Increase section outlines the past five year's domestic rate increases and the proposed FY13 domestic rate of 2.5%. The Policies & Process Tab is a description of the budget process including the Statutory and Bond Order requirements, budget administration, and if needed, budget amendments.

Mr. Powell further reported that Page 12 briefly describes the forecasting methodology and includes the current business plan which outlines the current year proposed budget as well as estimates of needs for the next nine (9) years. Page 14 is the proposed \$41,945,141 FY13 budget which incorporates the following: a 2.5% domestic rate increase, which is a .69 cent increase in the average single family monthly bill that will go from \$26.45 to \$27.14; continuation of the Industrial Rate Parity Plan, which is in year 13 of 20 with a 3.9% average increase for the industrial section; Facility and Tap fees remain at the 2012 levels as well as what is budgeted for FY 2013; 1.0% rate of return on investments; .51% increase in Salaries and Benefits, which has an impact of \$58,633 and includes Personnel Committee recommendations as to Merit and COLA Increase, Self-insurance funding and GASB 45 OPEB funding; .64% increase in materials supplies and service which has an impact of \$37,929. Behind the Operation & Maintenance tab is a detailed accounting of the proposed budget by department as well as current year projected and prior year actual. Behind the Insurance Fund tab is a concise overview of the various insurance funds along with their respective proposed budgets and FY 11 actuals and current year projected. Behind the Replacement Fund tab is an overview of various replacement funds along with their respective proposed budgets and FY 11 actuals and current year projected. Behind the CIP Program tab is an overview of the CIP program run by the engineering department along with their proposed current year budget and projection of needs for the upcoming nine (9) years. Behind the Debt Financing tab is an overview of debt management as well as a brief description of capital projects funding. Also, there is a detailed listing of current outstanding debt as well as an aggregate debt service for each outstanding issue. Behind the Appendix tab is the proposed FY13 budget resolution with the schedule of rates and fees. Also included is a flow of funds which is a graphical representation of the budget resolution and a big version of the business plan for individuals who are visually challenged.

Mr. Stanley moved that the Board adopt the Preliminary Budget for FY 2012-2013 and Schedule of Sewer Rates & Fees. Mr. Watts seconded the motion. Mr. Aceto called for discussion. Mr. Pelly stated he appreciated Mr. Powell's presentation, but will vote against the budget because of the proposed rate increase of 2.5%. He further stated that when looking at rate increases over the past five (5) years, cumulatively this is a 19.75% increase as reflected on page 18 of the budget document. Because of an increase in the cost of living for people in the community and a decrease in income and home values, he feels it's his role as a member of the Board to look out for the ratepayers by keeping rate increases minimal. With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 10 Ayes; 1 Nay, Mr. Pelly.

10. Old Business:

None

11. New Business:

With regard to the timing of the Impact Study for water/sewer consolidation, Mr. Aceto stated that a majority of the municipalities have indicated they would like to participate. He further stated that because the District has been encouraged by the Legislative Research Committee (LRC) to engage in good-faith negotiation with the City of Asheville, he asked the Board their thoughts on a formal invitation to the City. Mr. Haner stated he does not see the City ready to enter into any discussion until it has completed its review and public hearing process. Mr. Stanley stated the MSD should wait until the City asks to participate. Ms. Manheimer stated the City is not conducting a study so there is no reason to wait. Mr. Kelly stated that from discussion at the Planning Committee, he thought the invitation to participate in the study was extended to all the municipalities. Mr. Aceto stated the Planning Committee talked about the impact study, but did not get to the matter of negotiation between MSD and the City. Mr. Kelly stated a letter from MSD to the Director of the Water Authority inviting them to talk about negotiations will get the matter started. Mr. Watts stated that any letter should reflect the wording of the legislation.

Mr. Clarke stated MSD is under some obligation to offer to negotiate based on the language in the LRC recommendation which says, "Should the interested governments craft their own solution for consolidation, which achieves all the objectives of the Committee, before the 2013 North Carolina General Assembly convenes, due consideration would be given to the local plan. Action will not be taken if the parties are engaged in good-faith negotiations on this matter." He further stated that the other issue is what MSD is committed to doing. Mr. Haner asked if MSD will enter into discussions with the City prior to review of the RFP's, or can this happen concurrently. Mr. Hartye stated the negotiation process could happen parallel to the study process as opposed to waiting for the final report. Mr. Haner asked when the RFP's are sent out, will the consultants be given a time frame to complete the study. Mr. Hartye said yes; three months. He further stated there is no deadline or recommendations having to do with considering other water purveyors, however there is a deadline on the Asheville study, since it's referred to specifically. Mr. Stanley stated that MSD was not asked to initiate negotiations with the City of Asheville, therefore, should not do it.

Mr. Aceto stated the Board voted to initiate a study and it has a fiduciary responsibility not to go into this un-informed. Ms. Manheimer pointed out that the statement read by Mr. Clarke contemplates a partnership. Mr. Hartye stated the purpose of the study is to determine the impact on MSD. He further stated that MSD and the Board has not weighed in on this at all and now it has been thrust upon the MSD and it's the responsibility of the Board to see if it wants it. Ms. Manheimer stated that the only purpose of the study is to study the impact on the ratepayer of MSD of the proposal, not some hypothetical concept the City of Asheville and MSD come up with. Mr. Clarke stated that MSD as a public body has some obligation to see if the City of Asheville wants to participate in this type of negotiation. He further stated that whether MSD or the City initiates it, MSD should indicate its willingness to participate. Mr. Kelly agreed with Mr. Clarke and stated MSD should write a letter to Mayor Bellamy suggesting preliminary discussions regarding the recommendations of the (LRC). Following a poll of the Board and a reading by Mr. Clarke of what the LRC encourages the regional water and sewer stakeholders to specifically do, it was the consensus of the Board to draft a letter to Mayor Bellamy with input from Mr. Clarke and Mr. Hartye to be circulated to the Board for comment.

12. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:07 p.m.

Jackie W. Bryson, Secretary/Treasurer

MSD

Regular Board Meeting

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 5/16/12

✓	Agenda Item	Presenter	Time
	Call to Order and Roll Call	Aceto	2:00
	01. Inquiry as to Conflict of Interest	Aceto	2:05
	02. Approval of Minutes of the April 18, 2012 Board Meeting.	Aceto	2:10
	03. Discussion and Adjustment of Agenda	Aceto	2:15
	04. Informal Discussion and Public Comment.	Aceto	2:20
	05. Report of General Manager	Hartye	2:25
	06. Committee Reports: a. Right of Way Committee – 4/25/12 – Glenn Kelly b. Personnel Committee – 5/2/12 – Jerry VeHaun c. CIP Committee – 5/3/12 – Max Haner d. Planning Committee – 5/3/12 – Al Root e. Finance Committee – 5/9/12 – Glenn Kelly	Aceto	2:40
	07. Consolidated Motion Agenda	Hartye	3:00
	a. Consideration of Compensation Budgets: Rash Road SSR; 14 Daniel Road SSR; Old US 70 @ Grovemont Avenue.	Hartye	
	b. Consideration of Revised MSD Sewer Use Ordinance.	Hartye	
	c. Consideration of Developer Constructed Sewer System: Oakcrest.	Hartye	
	d. Consideration of Third Quarter Budget to Actual Review FY 2012.	Hartye	
	e. Cash Commitment Investment Report as of March 31, 2012	Powell	
	f. Consideration of Resolution to Replace Current Standby Purchase Agreement.	Powell	
	08. Consideration of Resolution Adopting the Preliminary Budget for FY 2012-2013 and Schedule of Sewer Rates & Fees.	Aceto	3:15
	09. Old Business	Aceto	3:30
	10. New Business	Aceto	3:35
	11. Adjournment (Next Meeting/Public Hearing, 6/13/ 2012)	Aceto	3:40

APPROVAL OF MINUTES

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
APRIL 18, 2012**

1. Call to order and Roll Call:

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, April 18, 2012. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly, Manheimer, Pelly, Root, Stanley, Watts and VeHaun. Mr. Russell was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Joseph Martin, Woodfin Sanitary Water & Sewer District, Gary Jackson, Asheville City Manager, Ron Kerns, City of Asheville Water Resources, Dr. Milton Byrd, Candidate Buncombe County Board of Commissioners, Joel Burgess, Asheville Citizen Times, Ed Bradford, John Kiviniemi, Stan Boyd, Scott Powell, Peter Weed, Mike Stamey, Ken Stines, Jim Hemphill, Angel Banks, Shaun Armistead, Hunter Carson and Sondra Honeycutt, MSD.

2. Inquiry as to Conflict of Interest:

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

3. Approval of Minutes of the March 21, 2012 Board Meeting:

Mr. Aceto asked if there were any changes to the Minutes of the March 21, 2012 Board Meeting. With no changes, the Minutes were approved as presented.

4. Discussion and Adjustment of Agenda:

Mr. Aceto stated that the Legislative Issue will be discussed under New Business.

5. Informal Discussion and Public Comment:

Mr. Aceto welcomed Mr. Martin, Mr. Kerns, Dr. Byrd and Mr. Burgess. There was no public comment.

6. Report of General Manager:

Mr. Hartye gave an update on the System Services crew who were injured in a recent accident while working along Montford Avenue. He reported that Carl Ellington, who sustained most of the injuries, is recovering and doing well and Scott Graham is back at work but is receiving therapy.

Mr. Hartye reported that John Kiviniemi, Plant Director is leaving MSD after 14 years of service. He stated that John will relocate to Carrboro, NC to re-unite with his family and has accepted a position as Plant Manager for OWASA. He further stated that John brought about many improvements to the Plant. Besides the Clean Compliance record for Air and Discharge, he brought about the ISO 14001 Certification and has been an outstanding representative for MSD in the wastewater community. He was actively involved with Water for People and won the Asheville Operator of the Year award and has served as President of the Association. Mr. Hartye stated that on behalf of the Division heads, we have enjoyed working with John and he will be sorely missed. Mr. Kiviniemi stated that it is hard to believe 14 years has gone by so quickly and feels like he's moving back to one family, but leaving another. John expressed his appreciation to the Board for its support over the years. Mr. Aceto stated that the Board is very appreciative of John's service to the MSD and community. Mr. Haner stated that he knew John before he was appointed to the Board and that the job John did was top notch and he enjoyed working with him.

Mr. Hartye introduced Shaun Armistead who recently received his Professional Engineer's Certification. He stated that Shaun will give a short video presentation on the "Operations Challenge" that was held at the 2011 NC AWWA-WEA State Conference in Concord, NC. Mr. Armistead reported that the members of the Operations Challenge Team "Flow Motion" are Gilbert Karn, Jason Brigmon (Captain), Ben Reeves (Coach), himself, Jason Price and Mike Rice (Alternate). He further reported that there were three (3) events; the Collection System Event; the Laboratory Event and the Pump Maintenance Event. He presented a video showing each event and how they were performed. He stated that the time on the Collections Event was 90 seconds, which earned 1st place; 6 minutes on the Pump Maintenance Event, which earned 1st place, and 8 minutes on the Laboratory Event, which earned 2nd place. All three events won MSD 1st place overall for the competition. Mr. Armistead reported that the 2012 National Competition will have five events, which include the three previously mentioned events and the Process Control Event and Safety Event. He stated that one thing the team is especially proud of was the times they turned in at the State conference which compared favorably with the times at the National conference; meaning they would have been in the top five across the board in all three events they participated in. Mr. Hartye stated that the team practices mostly on their own time in order to build up their skills. Also, because they won at the State conference, the organization will pay for them to attend the National conference in New Orleans in October.

Mr. Hartye presented an email account of a call from Phillip Ray of Riceville Road expressing his appreciation for the customer service provided by Wayne Rice and the crew from the System Services Division.

Mr. Hartye reported that the LRC will hold its last meeting in Raleigh on April 19th. He stated that in a recent Asheville Citizen-Times article, there was some rate information quoted that was inaccurate and that he would like to clarify. He presented a slide showing the bi-monthly bill for Asheville Water Customers for the last ten (10) years. He explained that there is a flat rate and a volumetric rate. Flat rates are fixed rates for a period of time. Volumetric rates are rates based on the amount of flow. The Water portion of the bill includes the Base Billing Charge, Consumption Charge, based on ccf's, which is a volumetric rate, and a Capital Improvements Fee, which is a flat rate. In addition there is a MSD Sewer Treatment Charge, which is a volumetric rate, and the MSD Sewer Maintenance Charge that includes the billing charge based on the meter size, which is flat rate. He stated that a lot of bills across the US are a combination of flat and volumetric rates, because most of the costs for a utility are fixed costs.

With regard to the quoted 285.9 percent industrial rate increase, Mr. Hartye presented a 20-year (FY01-FY20) Industrial Rate Parity Plan. He stated that the first year, the domestic flow rate was \$2.75/ccf. The Industrial Flow Rate portion/ccf consists of two components (flow and strength). The strength component includes a BOD rate and a TSS rate. He explained that most wastewater companies in the US charge on the strength of domestic waste then add a surcharge based on strength. He stated that what MSD is trying to do over the twenty years is to go from a reduced flow rate and a higher BOD & TSS strength rate, to a cost plus. In the beginning, industry was paying 60% of the domestic rate. Currently they are paying 105%, and by FY20 115%. Mr. Hartye further reported that the article talked about rate increases, but not the rates themselves. He stated that MSD rates are not only competitive with other wastewater providers in the region, but local water service providers as well. In addition, MSD has one of the highest capital reinvestment rates in the region and country by putting \$15 million per year back into system rehabilitation. Mr. Aceto asked why it will take twenty years to achieve industrial rate parity. Mr. Hartye stated because some types of industry have different chemistry, the changes in rates would affect them differently. The industry representatives asked the MSD Board to keep the rate increases to single digits by spreading them out over time.

Mr. Hartye presented a Hendersonville Times-News article on the Cane Creek Water & Sewer District.

Mr. Hartye reported that the Right of Way Committee will meet April 25th at 9am. The Personnel Committee will meet April 26th at 9am. The Annual Capital Improvement Program Committee will meet on May 3rd at 8:30am. The Finance Committee will meet May 9th at 2pm, and the next regular Board Meeting will be held May 16th at 2pm.

7. Report of Committees:

Planning Committee

Mr. Root reported that the Planning Committee met March 21, 2012, immediately following the regular Board Meeting. He stated that Mr. Hartye gave a presentation regarding the Preliminary Impact Study of Water/Sewer Consolidation and a presentation on the Cane Creek Water and Sewer District (CCWSD). The Committee recommended changes to the MSD Statute with regard to representation on the Board and that in the letter to the Legislative Research Committee (LRC) the conditions previously set forth, be addressed should CCWSD become a part of MSD voluntarily or otherwise. Mr. Hartye reported that the Board endorsed the content of the letter to the (LRC) in a telephone poll. Mr. Clarke stated that although most of the Board Members were present at the Planning Committee meeting, the full Board needs to endorse the letter that was sent to the LRC. Mr. Root moved that the Board endorse the letter sent to the LRC. Mr. VeHaun seconded the motion. Voice vote in favor of the motion was unanimous.

Right of Way Committee

Mr. Kelly reported that the Right of Way Committee met March 28, 2012 to consider Compensation Budgets on the Dilling Avenue GSR, Meadow Lark Road GSR, Old US 70 @ Pine Circle GSR and Mt. Vernon Place GSR Projects. The Committee also considered Condemnation on the Givens Estate GSR Project. The recommendations of the Committee are part of the Consolidated Motion Agenda.

8. Consolidated Motion Agenda:

a. Consideration of Compensation Budgets – Dilling Avenue GSR; Meadow Lark Road GSR; Old US 70 @ Pine Circle GSR, and Mt. Vernon Place GSR:

Mr. Hartye reported that the Right of Way Committee recommends approval of the Compensation Budgets.

b. Consideration of Condemnation – Givens Estates GSR:

Mr. Hartye reported that the Right of Way Committee recommends authority to obtain appraisal and proceed with condemnation.

c. Cash Commitment Report for Month Ended February 29, 2012:

Mr. Powell reported that Page 2 presents the makeup of the District's Investment Portfolio. There has been no change in the makeup of the portfolio from the prior month. Page 3 is the MSD Investment Manager report as of the month of February. The Weighted Average Maturity of the invest portfolio is 461 days. The yield to maturity is .78% and exceeds the benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the Analysis of Cash Receipts. Monthly and YTD domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. As noted in past months, the City implemented a new billing system which has had an impact on billing cycles and cash receipts patterns.

Monthly and YTD Industrial Sewer Revenue is considered reasonable based on historical trends and YTD Facility and Tap Fees are above historical trends due to the timing of a cash receipt of \$610,000 as well as impact fees being budgeted conservatively. Page 5 is an Analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 6 is the MSD Variable Debt Service report for the month of February. Both the 2008 A&B Series are continuing to perform better than budgeted expectations. As of the end of March, both issues have saved District ratepayers approximately \$5.2 million dollars in debt service.

d. UNC Environmental Finance Center – FY2011 Financial Performance Benchmarks:

Mr. Powell reported that in preparation for the FY2013 Budget, he supplied the Board with a financial analysis of MSD compared to AA and AAA utilities in North Carolina as of June 30, 2011. He stated that this information is provided by the Environmental Finance Center of NC. The analysis addresses how well an entity can meet liquidity, debt service, cost recovery, leverage, and condition of its physical assets. He further stated that MSD is performing at or near the highest levels in comparison to its peer group for every benchmark. Mr. Aceto asked why MSD's Quick Ratio and Days Cash on Hand were highest compared to the other entities shown. Mr. Powell stated that what affects this is the timing of the debt issuance. Typically, MSD issues debt and 90 percent of that debt comes back to the MSD and is spent over the upcoming 2 to 5 years on the Capital Improvement Plan, which amounts to \$15 - \$16 million a year. Therefore, depending on where MSD is in relation to the debt service, those numbers will be high at that time and then they will strategically draw down until another debt service is issued, then those numbers will come back up.

Mr. Watts moved that the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 10 Ayes; 0 Nays

9. Old Business

None

10. New Business:

With regard to the Legislative Research Committee's draft report, Mr. Clarke reported that the following recommendations were made: 1.) That the MSD Act be amended to (a.) reflect population shifts in single-county districts; (b.) modify representation in multicounty districts, and (c.) allow metropolitan sewerage districts to exercise the same authority as metropolitan water district. 2.) "The 2013 Session of the North Carolina General Assembly consolidate the Public Utility Water System with the Metropolitan Sewerage District of Buncombe County. Should the interested governments craft their own solution for consolidation, which achieves all the objectives of the Committee, before the 2013 North Carolina General Assembly convenes, due consideration would be given to the local plan. Action will not be taken if the parties are engaged in good faith negotiations on this matter." 3.) "That the Conservation Trust for North Carolina continue to work with the City of Asheville as the parties consider clarifying the 1996 Asheville Watershed Conversation Easement."

Mr. Aceto stated that there are three (3) things the Board will need to consider. First, MSD and Henderson County can combine their sewers if they choose to do so. Second, MSD will have the authority to take on the Water System, and Third, Engage in good faith negotiation regarding Water System transfers, but not sewer systems.

Mr. Aceto suggested the Board consider the Henderson County component first and what MSD needs to be doing at this time or whether this matter should be referred to the Planning Committee. Mr. Watts asked if Henderson County has to ask first. Mr. Clarke stated that the Planning Committee had a lot of discussion about how Henderson County might become a part of MSD. At that time, the Statute required that Henderson County has to ask and MSD has to say yes and this part of the Statute still applies. It was the consensus of the Board that no further action be taken at this time.

With regard to the Water Issue, Mr. Aceto recognized Ms. Manheimer. Ms. Manheimer stated that she is speaking to the Board on her own behalf, since City Council has not had a chance to meet as a body to chart out a plan. She reported that she had met with a couple of the Council members, Mr. Gary Jackson, City Manager and Mr. Bob Oast, City Attorney to quickly review the report, which Representative Moffitt hand delivered to her.

Mr. Manheimer reported that April 19th is the last meeting of the Legislative Subcommittee and Councilman Jan Davis, the City Manager and City Attorney plan to attend. The LRC will received the final report in May and decide whether or not they will adopt it. She further reported that at the last meeting of City Council, it was decided to have a public meeting at the April 24th Council meeting to hear from the citizenry on this issue. She stated that from her perspective, the first line of business is to hear from the citizens, because Council is elected by them and they need to make sure that whatever is done is in keeping with the majority of the citizenry. She further stated that they have been entrusted with running of the Water System and managing its assets; which are considerable. She stated that she feels it's important to keep up communications with City Council and the MSD Board to let you know what is being done. In this outreach process, they will also reach out to the business community, manufacturers, industrial users, the Chamber of Commerce, trying to get a handle on its commercial users and what they want. Also, they will go to Raleigh to arrange to meet with the Speaker of the House and the President Pro-tem to have some constructive dialogue with them and to engage a lobbyist in order to monitor what they are doing, so the City is better informed and to help interact more effectively with the Legislature.

Ms. Manheimer reported that this study encourages the City to engage the MSD Board in a dialogue about consolidation or merger. She stated that she advises that the City should not be in the habit of ignoring the Legislature and will recommend that the City engage the MSD in a constructive dialogue about merger/consolidation and what that would look like. She stated that she feels the stage has been set to work constructively with the MSD through the Taskforce and interfaced with the Legislature through the study process and it's the City's hope that it continue to work with MSD through the negotiation process. Ms. Manheimer stated that one of the City's primary concerns is the ownership of the assets of the system. She stated that it would be more attractive to her to discuss a lease concept, which has been discussed in the past, but reiterated that she was speaking on her own behalf, not what City Council would want to examine as a final concept.

Ms. Manheimer reported that the Bent Creek property the City deeded to Henderson County for the purpose of building a treatment plant will expire this summer. The Mayor, on behalf of City Council sent a letter to Henderson County offering to extend the deed term for a couple of years and Henderson County responded positively to that offer. Mr. Aceto asked what kind of action, if any, does the Board need to consider on this issue. Mr. Clarke stated that the Board does not have a say in this matter.

Mr. Aceto called for comments from the Board. Mr. Kelly suggested the Board have access to the Supreme Court's opinion handed out in 1958 about Sullivan Act 1 and to the Court of Appeals opinion that was handed out five years ago regarding Sullivan Acts I, II and III, which does trace the history of how Asheville came to own systems

outside the City. Mr. Clarke stated that he would be happy to provide a copy of the draft report and supporting documentation. Mr. Stanley stated that during the previous water dispute between the City and County, nothing was resolved, but feels with the change in City Council something can be worked out. Mr. Haner asked how the compensation of assets is resolved without legislative action. Ms. Manheimer stated that the framework for a discussion would have to be in the context of an interlocal agreement. Mr. Aceto challenged Board Member with the fact that they represent the ratepayers, which demands that they be prepared to examine the impact of such a consolidation deal on the ratepayers and the broader community. He stated that he hopes that this process will bring the right stakeholders together, that it's fair and transparent and ends with no recriminations or basis for lawsuits. He asked whether it was the sense of the Board that it refer this matter to the Planning Committee so that they can begin to examine what it means to negotiate in good faith and what that process should look like and to consider specifically, what the impact is on the ratepayers. Mr. VeHaun moved that the Board refer this matter to the Planning Committee. Mr. Stanley seconded the motion. Voice vote in the favor of the motion was unanimous.

11. Adjournment:

With no further business, Mr. Aceto called for adjournment at 3:06 p.m.

Jackie W. Bryson, Secretary/Treasurer

REPORT OF GENERAL MANAGER

MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: May 10, 2012
SUBJECT: Report from the General Manager

- Update on Water Study

The Planning Committee is recommending that a detailed Impact Study of the LRC recommendations be conducted. A process flow chart is attached. Staff is attempting to get the necessary information and gauge the interest of other water purveyors to be included in the study.

- Asheville Board of Realtors Event

Daniel Marsh of GIS and Kevin Johnson of P&D gave a presentation about using MSD's GIS website to the Asheville Board of Realtors group on Wednesday April 25th at their monthly meeting. There was about 25 in attendance and it was well received.

- Visit from the Chief

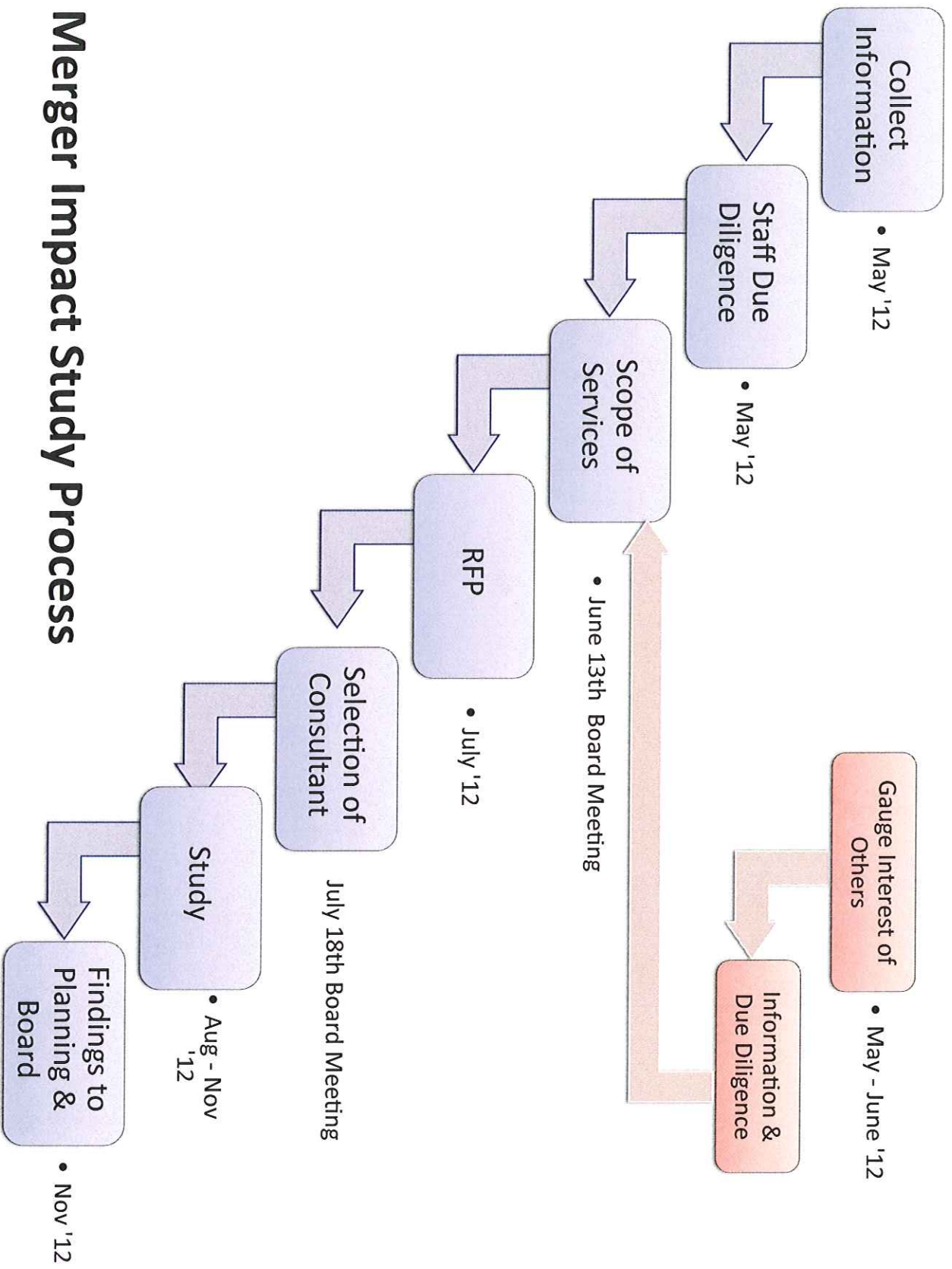
Chief Anderson and his team came to meet and speak with the MSD System Services Employees in general and to meet directly with the crew involved in the recent accident. Much thanks to the Asheville Police for their service and their initiative to create a stronger bond with fellow public servants.

- Reading

- Hendersonville Times article on water issue.

- Board/Committee Meetings/Events

The April Right of Way Committee will be held May 23rd at 9am. The next Regular Board Meeting will be June 13th, at 2 pm.



Merger Impact Study Process

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears above any article. [Order a reprint of this article now.](#)

Water issue: The devil is in the details

Published: Sunday, April 29, 2012 at 4:30 a.m.

Lost in the General Assembly's push for a new regional water and sewer authority is the question of whether Hendersonville as well as Asheville might be forced to cede control of its water system.

The Legislature is pushing for a regional entity to handle sewer and water in Buncombe and Henderson counties. The April 19 report of the General Assembly's Metropolitan Sewerage/Water System Committee details a litany of instances in which Asheville has sown distrust in its relations with Buncombe and Henderson counties.

Although the draft report does not specifically mention Hendersonville's water system, the Legislature's action raises questions about the future of the city's water and sewer systems.

Aimed primarily at Asheville, the report encourages local governments to accept its finding that a joint regional water and sewer authority "would be in the best interest of the region," says N.C. Rep. Chuck McGrady, R-Henderson.

According to McGrady, the General Assembly is not likely to force the creation of a regional water and sewer authority this year, but next year may be a different story. "Whether the findings that are in this report will result in legislation in 2013 is going to be hard to say, but you assume that if all the same players are in place, it's pretty clearly signaling that some legislation will be offered to implement in the long session in 2013," McGrady says.

Assuming is not something you should do in politics. N.C. Rep. Tim Moffitt, chairman of the legislative study committee, is being challenged by Democrat Jane Whilden in the November general election. McGrady, meanwhile, faces a challenge from Mills River Mayor Roger Snyder in the GOP primary. Snyder has called on Asheville to fulfill its obligations under the 1995 water agreement.

Whether or not the "same players are in place" next year, Asheville's long-standing dispute with Buncombe County over water and annexation isn't going away. But could Hendersonville — which operates its own water system, serving most of Henderson County — potentially be forced to cede control of that system to a regional entity?

"There are never guarantees," McGrady said. "On the one hand, the fact that Hendersonville's water intake is very close to one of Asheville's water intakes suggests that merging the two systems should be considered. On the other, Hendersonville's history is very different than Asheville's history. Asheville's system was actually acquired, in part, from Buncombe County. Hendersonville is also honoring the land-use plans of the various governments whose area it serves."

Asheville was able to build a water intake and treatment plant next door to



Hendersonville's on the Mills River as a result of the failed 1995 regional water agreement between Henderson County and Asheville. Hendersonville officials oppose making the city part of a regional water and sewer authority.

Although it might seem unlikely that the General Assembly would consolidate Hendersonville's water system with Asheville's, we should beware of the slippery slope when the Legislature starts telling local governments what to do. Just because Asheville and Buncombe County (and to a lesser extent, Henderson County) have been embroiled in a long-standing dispute does not, in our view, justify forcing Hendersonville to give up control of its water system.

Meanwhile, legislators are moving forward with the sewer part of the equation, calling for changes to the legal structure of the Metropolitan Sewerage District that could give Henderson County representation on MSD's governing board. That, too, could have implications for Hendersonville, depending on how a regional system is designed.

The city operates its own relatively new sewage treatment plant on Mud Creek, serving most of Henderson County except for northern areas served by the Cane Creek/MSD system.

"It doesn't make any sense to link Hendersonville's water system to MSD, because you don't want to pump waste uphill," McGrady says. "That being so, one can make a case that linking 'water in' to 'water out' would suggest that Hendersonville's system should remain autonomous. However, if there are efficiencies of scale that would allow Hendersonville's sewer rates to decline by joining MSD — even if the systems aren't linked — then perhaps combining the water systems would make sense."

Henderson County has more to gain in discussions of becoming part of MSD than Hendersonville. Leaders of both should proceed with extreme caution, knowing that the devil is in the details of regional pacts, should the General Assembly force consolidated control of critical resources and infrastructure.

Copyright © 2012 BlueRidgeNow.com — All rights reserved. Restricted use only.

REPORT OF COMMITTEES

**RIGHT OF WAY
COMMITTEE RECOMMENDATIONS
AND MINUTES
April 25, 2012**

I. Call To Order

The regular monthly meeting of the Right of Way Committee was held in the Boardroom of the William H. Mull Building and called to order at approximately 9:00 a.m. on Wednesday, April 25, 2012. The following Right of Way Committee members were present: Glenn Kelly, Jackie Bryson, Jon Creighton, Esther Manheimer, Chris Pelly, Jerry VeHaun and Robert Watts.

Others present were: Seth Hendler-Voss, Asheville Parks & Recreation; Steven Aceto, Chairman of the Board; Max Haner, Board member; Tom Hartye, Angel Banks, Shaun Armistead, Hunter Carson, Ken Stines, Wesley Banner and Pam Nolan, M.S.D.

II. Inquiry as to Conflict of Interest

Mr. Kelly inquired if anyone had a conflict of interest with Agenda items. There was none.

III. Asheville and Woodfin Greenway Corridor Updates

Brief updates on City of Asheville and Town of Woodfin greenway corridors will be presented. Mr. Seth Hendler-Voss, Landscape Architect with Asheville Parks and Recreation will provide an update on Asheville's projects and Mr. Jason Young, Town Administrator, Town of Woodfin will provide an update on Woodfin's projects.

STAFF RECOMMENDATION: For information only. No action required.

Ms. Banks stated that Mr. Young with the Town of Woodfin had received a grant for the Woodfin Police Department and had to attend a mandatory meeting in Raleigh but will be scheduled to attend another Right of Way Committee Meeting in the near future. Ms. Banks then introduced Seth Hendler-Voss who is a Landscape Architect with the City of Asheville Parks and Recreation Department. Mr. Hendler-Voss explained a little bit about his job and reviewed greenway plans for the next five years, particularly Clingman Forest Greenway, Beaucatcher Mountain Greenway and Town Branch Creek Greenway. Mr. Hendler-Voss also showed some photos of the Reed Creek Greenway which had recently been completed and explained some of the difficulties faced during the project. He was very complimentary of the working relationship with MSD. There was some discussion regarding the City's authority to condemn for greenways. Mr. Hender-Voss stated that they have not exercised that option yet. Ms. Manheimer stated that the City had just modeled MSD's policy for condemnation to use for sidewalks. Mr. VeHaun asked if they had an estimate of what it cost to maintain greenways. Mr. Hender-Voss stated that it would vary based upon the corridor and there were no figures at this time. There was some discussion regarding a land exchange with Fiesta for the Beaucatcher Mountain Greenway Project. Mr. Haner stated that he thought the land exchange was a great thing. Mr. Hartye and Ms. Banks stated that the Reed Creek Greenway project was phenomenal. Ken Stines also expressed his appreciation to Mr. Hender-Voss for being so good to work with.

IV. Consideration of Compensation Budgets--

Rash Road SSR, Project No. 2010095
14 Daniel Road SSR, Project No. 2011057
Old US 70 @ Grovemont Avenue, Project No. 2007322

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained the location of the projects. The Rash Road project is comprised of approximately 550 linear feet of 8" DIP to replace 4" orangeburg pipe and 6" VCP and PVC. 14 Daniel Road project is comprised of approximately 558 linear feet of 8" DIP to replace 8" VCP. The Old US 70 @ Grovemont Avenue project consists of 4700 linear feet of 8" and 12" DIP to replace 6" and 8" VCP. There was no discussion. Mr. VeHaun made the motion to accept staff's recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

V. Quarterly Report – Third Quarter

Attached you will find a Project Status Summary for all active acquisition projects. This report provides information on percentage of easements complete, percentage of compensation expended and comments on condemnations. This information is provided for your review.

STAFF RECOMMENDATION: For information only. No action required.

There was no discussion regarding the Quarterly Reports.

VI. Other business: Ms. Banks passed out and reviewed conditions of MSD's master greenway agreement as a refresher.

There being no further business the meeting adjourned at approximately 9:30 am.

PERSONNEL COMMITTEE MEETING

May 2, 2012

10:30 a.m.

1. Call to Order

Chairman VeHaun called the meeting to order at 10:35 a.m. in the W.H. Mull Building of the Metropolitan Sewerage District. In attendance were the following members: Jackie Bryson, Bill Stanley, Allan Root, and Bill Russell. Also present were Max Haner, Glenn Kelly, Steven Aceto, Billy Clarke, Tom Hartye, Jim Hemphill, Scott Powell, Stan Boyd, Ken Stines, Mike Stamey, Sheila Pike, and Pam Thomas.

2. Inquiry as to Conflict of Interest

Mr. VeHaun stated there was none at this time.

3. Human Resource Activities

Ms. Thomas discussed several topics about areas of activity within the Human Resource Department: organizational chart with a total of 149 full time employees, a chart on personnel reductions from FY 2000-01 with 168 employees to FY 2011-12 at 149 employees. She also presented demographic information, provided an overview of employees with average age being 47, and years of service at 13. Ms. Thomas also presented a chart showing the turnover rate since 2004, with the current rate at 5% totaling 8 employees, one (1) death, four (4) retirements and two (2) resignations and one (1) dismissal. She also reviewed Employee Relations activities: company picnic, employee appreciation picnic, Christmas meal, decade's birthday party, and four retirement parties.

Ms. Thomas presented information about our Wellness programs: a) the Wellness Day activities involved providing health information, tours of our facilities, dinner, and children activities; b) A Nurse Practitioner from Three Streams Medical comes once a week for medical attention at no cost to the employee; c) a Nurse from the Asheville Project provides education information to employees who are living with a chronic condition. Other Wellness topics include; participation in Heart Awareness and Breast Cancer Awareness d) a culinary instructor from AB Tech provided a Healthy Cooking Class; e) co-ed softball team, and f) weight watchers program consisting of 20 participants with a total weight loss of 126 pounds. Other topics presented; Succession planning and the sources of training used. Also a new Safety Manager was hired along with some of the training classes that have been delivered. Mr. Haner asked how we performed the defensive driving training. "Did someone from the Highway Patrol Department come in to conduct the class?" Ms. Thomas said yes and that everyone at the District was involved in the training here, on site.

4. Consideration of Self Insured Health Plan & Cost of Living /Merit Pay Plan

Mr. Hemphill presented staff recommendations to increase salaries by 4.0% composed of a 2.0% Cost of Living Adjustment for all employees and a 2.0% Merit for higher performing employees. Also an additional 1.0% contribution towards medical insurance was requested. The budget impact of Merit and COLA request is .36% increase over FY12's budget. He also presented the Consumer Price Index for the South Region Urban Wage Earners and Clerical Workers.

Last year's CPI was 3.9%. MSD's salaries were also compared to 14 other agencies and their projected percentage increase. He also stated that because of vacancies, due to employee's leaving or retiring the district has either re-engineered or not filled the position and has saved over \$150,000. Also we have saved money by non-funding 2 other positions that aren't needed now but may be needed at a later date.

Mr. Hemphill also presented medical insurance costs. Due to the average age of our employees being 47 with a length of service of 13 years, the District has an aging workforce. Therefore, we have increased our health and wellness programs to provide opportunities for improved health. Mr. Powell, Ms. Pike, Ms. Thomas and I have spent many hours looking at changing insurance companies to maintain the same coverage levels and help lower costs. He also presented the history of our insurance plan. The recommendation to the board is a \$17,000 increase in the amount from last year. The total amount of this year is \$1,735,116 compared to last year's amount of \$1,717,935. Mr. Hartye stated that Mr. Hemphill, Mr. Powell, and Ms. Pike, and Ms. Thomas have worked very hard in changing our insurance. Throughout the last couple of years we have adjusted premiums and various other things to our plan, but we are running out of ideas. Mr. Hartye also stated that we have in part become our own broker, and have dropped our fixed cost from \$564,131 to \$372,469. This has helped get the best result in helping keeping costs down. Mr. Root asked if any of the salaries are allocated towards our insurance cost. Mr. Powell stated that the salaries are in the respective departments. Mr. Aceto asked if we have used Western Carolina Industries (WCI) for looking at insurance plans. Mr. Hemphill stated that he and Mr. Powell went to a seminar with WCI on "captive insurance plans" Mr. Powell stated we had considered the WCI captive plan, but had some concerns. The League of Municipalities had a similar captive plan, but we elected to stay with our current route as self-insured. This approach is the most beneficial for the employees and the District.

Mr. Aceto asked if we received a "utilization review" from the various plans and what did they provide. Mr. Hemphill stated we had received information from various Brokers, TPA, and Pharmacy Benefits Management plans. Mr. Vahaun asked if we projected the budget increase on insurance to be \$70,184. Mr. Hemphill stated yes that is correct. Mr. Vahaun also asked if that increase affects the employee or MSD. Mr. Hemphill stated the employees will not be asked to increase premiums this year just the District. Mr. Powell stated that the amount we are asking is only a \$17,000 impact in relation to last year and the plan did go up to \$70,184 in variable cost from last year. He also stated that we have looked at several options and entities. Mr. Vahaun stated if we had not changed we would be looking at \$315,000 increase. Mr. Hemphill stated yes, and then we would have to go through the sharing of cost. He also stated the overall impact to the budget is \$60,000.

Mr. Clarke asked why we show 154 employees and we have 149 current employees. Mr. Hemphill replied we had some retirees on our insurance plan. Mr. Haner asked why our total number of employees has gone from 150 to 149. He also asked if the 149 headcount included the 4 vacancies Mr. Powell stated that the 4 vacancies are included and would have an impact but some retirees will be coming off so the 154 is the baseline.

Mr. Vehaun stated that he has a problem with merit pay and that there no way to do merit correctly. He asked what percentage of employees would be eligible for 2.0% COLA and what percentage would be getting a merit? Mr. Hemphill stated that 100% of the employees are eligible for the COLA and somewhere around 90-95% would get a merit increase may not a large amount, but we do want to reward our high performers. Mr. Hartye stated that the 4% would be given to the division in an allotted money amount and this would be used amongst the high and low performers. This approach allows the supervisor's to recognize and motivate their employees. Mr. Vehaun asked if we had a merit pay plan for supervisors on how this is to be administered or some guidelines. Mr. Hartye stated it is done on an evaluation system, which is very specific about the employee job requirements, goals and objectives, and core values. A discussion followed on how the merit system money is distributed, and who gets the money.

Mr. Haner asked if this was discussed in the employee advisory committee. Mr. Hemphill stated they supported the decision. Ms. Bryson asked when we have had a merit system before was there a problem with the employee moral when they did not receive any money. Mr. Hemphill stated the last time we had merit everybody got something. Mr. Powell stated since the CPI is growing it gives us an ability to do merit and does give people and the incentive to work harder if they know they might get more money and we can reward your high performers. Mr. Aceto stated that would defer the employee's recommendation that merit pay the most cost effective way to deal with employee performance issues. Mr. Kelly stated that we represent the rate payers and they have not seen a 4% increase over the past 5 to 6 years and our turnover rate is low and we increase our salaries above other utilities because of the increases.

Mr. Vehaun stated that Buncombe County and other utilities use the National CPI instead of the South region and the National shows a 3.0%. He was wondering why we did not use the same CPI as Buncombe County. Mr. Hemphill stated that historically we have used the South Region as opposed to the National. Mr. Powell stated that the South Region has a higher medical cost than other areas, which plays a factor in the CPI along with the high cost of living in this area. Mr. Stanley stated that the gas prices are higher here than in any other areas of the state.

Recommendation:

Mr. Russell moved to accept the recommendations of a 2.0% COLA and a 2.0% Merit increase, along with a 1.0% increase in Board contributions to the Medical Insurance fund. Mr. Root seconded that motion. Mr. Vehaun moved to vote for the recommendations and 4 approved and 1 opposed.

5. Other

Mr. Haner stated that the staffing levels have been reduced and what was the reason for the decision based on either job performance or a system wide study? Mr. Hartye stated it was based on re-engineering within the Planning and Development group. The work level has gone down since 2008. We did not change staffing levels at that time, but now the work has gone down drastically and the position in Planning and Development was eliminated. Mr. Haner asked if that was based on anything but current trends. Mr. Hartye stated yes for the last two years and we do not anticipate getting back to the higher levels we were at. Mr. Haner asked what the benefit to MSD was by eliminating that position. Mr. Hartye stated it was salary cost savings.

Mr. Haner asked if we had a dollar figures that included that. Mr. Hartye stated that is was in the memo and information that was presented and the total cost savings in salaries and benefits would not be as high as it would be, if we did not do some re-engineering of the positions. Mr. Hartye also stated he has been encouraged by the MSD Board to do such re-engineering if it is warranted. Mr. Haner asked if the employee had an opportunity to work anywhere else within the organization. Mr. Hartye stated he was eligible to take any job that was available but we did not created a position in another department. The employee chose to retire.

6. Adjourn

With no further business, the meeting was adjourned at 11:15 a.m. No future meeting has been scheduled.

CAPITAL IMPROVEMENT PROGRAM COMMITTEE

Minutes

May 3, 2012

8:30 a.m.

The Capital Improvement Program Committee of the Metropolitan Sewerage District met on May 3, 2012 at 8:30 a.m. in the Mull Administration Building on Riverside Drive in Woodfin with the following persons present: Max Haner - Committee Chairman; Steve Aceto – Board Chairman; Michael Boaz, Jon Creighton, Stephen Shoaf, Chris Pelly, Joseph Martin, Nelson Smith, Robert Watts, Marcus Jones, Jerry Vehaun, and Keith Haynes - CIP Committee members; Glen Kelly, Bill Stanley and Jackie Bryson – MSD Board members; Tom Hartye – MSD General Manager; Billy Clarke – Roberts & Stevens; Gary McGill – McGill Associates; Ron Kerns – COA Water Authority; Ed Bradford, Mike Stamey, Dennis Lance, Scott Powell, Angel Banks, Peter Weed, Stan Boyd, Ken Stines, and Sharon Walk - MSD.

The following items were considered:

1. Call to Order

Mr. Haner called the meeting to order at 8:35 a.m., welcomed and thanked everyone for coming to the committee meeting, briefly explained the process of the meeting, and then turned the meeting over to Tom Hartye. Mr. Hartye thanked everyone for coming and participating. He explained that there was also a Planning Committee meeting for discussion of the Asheville Water System issue at 10:00 and welcomed everyone to attend that meeting as well.

He then turned the meeting over to Ed Bradford, Capital Improvement Program Director for a presentation of the Capital Improvement Program and the proposed budget for the coming year.

2. Highlights of the Current and Proposed Capital Improvement Program

Mr. Bradford proceeded to give a power point presentation beginning with a summary of the proposed CIP Budget for the coming fiscal year and following years. The subtotal budget of all the projects for the coming fiscal year is \$17,164,180 with a proposed contingency of \$1,000,000 as in prior years. Additionally, the standard budget for reimbursement projects is recommended in the amount of \$200,000. The total recommended CIP budget for next fiscal year is therefore \$18,364,180. Mr. Bradford explained that we have a 10 year program, and we inflate future years 2 through 10 by an inflationary rate based on the ENR index which is 3.65% for this budget cycle. He also stated that this entire document has been posted on MSD's website www.msdbc.org for public viewing.

Mr. Bradford explained that MSD maintains over 980 miles of line – extending a distance further than Havana, Cuba, Montreal, Canada and Bangor, Maine. He explained that the primary approach is to maintain an aggressive and proactive rehabilitation program with a general methodology for project generation being SSO and work order reduction. We change the CIP every year somewhat by meeting with System Services Division to determine what lines are causing the most problems in order to re-prioritize projects each year. Pipe Rating and structural problems are utilized next in the methodology, followed by Wet Weather pipeline replacement.

Mr. Bradford then reviewed several of the larger projects that had been done or were in the process of being completed this year including several phases around Lake Julian Interceptor. Phase I consisted of about 8,200 lineal feet; Phase 2 was partnered with NCDOT when Long Shoals Road was widened to Hendersonville Road; Phase 3 was completed last summer, and Phase 4 was completed recently, with all phases totaling about \$5.6 million with a total of about 23,000 L.F. He then reviewed the various locations of these lines, and problems associated with the old lines. He then went on to review the Pipe Rated Project Contract #6 currently being constructed which is a trenchless project and consists of work at several locations, including one location near Hendersonville Road. This particular portion was near Crowfields Condominiums, through their garden area, and consisted of a fairly large

by-pass operation using three pumps. He then briefly reviewed the various trenchless technologies that we currently utilized to repair pipe, including pipe bursting, fold and form, and cured in place pipe and presented several slides of each of these being used on different projects, along with the equipment and supplies used in each one. Mr. Pelly asked what the circumstances of the pipe had to be in order to utilize these technologies. Mr. Bradford explained that the line has to be in decent enough condition that they can be lined – they can have multiple hairline cracks, etc. as long as the existing pipe is essentially intact. They cannot have offset joints or be collapsed so that you can't utilize the existing pipe for lining. Mr. Martin asked what fuel was used to power the boilers used for the lining process, and Mr. Bradford stated he thought it was diesel fuel. Mr. Bradford then proceeded to review several more slides of the different processes of this type of construction and explained each one. He also passed around samples of lining from the fold and form and cured in place processes for examination. Mr. Martin asked if there was any advantage of using one process over the other. Mr. Bradford stated that both were good products – there were some problems with curing with earlier versions of the fold and form PVC in that it had a memory and tended to return to its initial form, but these problems have since been worked out. Mr. Hartye added that many of our lines tend to have a lot of roots, with just cracks here and there and no major offsets. The roots can just be cut out and lining inserted and cured, thus getting rid of the root problem along with the problems associated with the cracks in the pipe. Mr. Haner asked once a project of this type is completed, how often the lines are inspected for integrity. Mr. Bradford explained that some of that was being done now on the work that was done on the original pilot basin project in Biltmore, and everything was looking very good. The lines are also TV'd immediately after the work is completed to inspect the lining.

Mr. Bradford then explained that the System Services division also performed trenchless repair work with in-house forces. This is referred to as the Infrastructure Repair System. Everything comes in a small box, is self-contained, and includes all the materials necessary to perform the repair – even protective gear for the installer such as suit and gloves. This system allows workers to perform trenchless spot repairs on smaller sections of pipe where it is prohibitive to dig and replace. He showed some slides showing the materials used and how the process worked. He stated that during FY 2011, more than 30 repairs were performed using this process by System Services crews, saving a lot of time and money - not to mention re-paving of the street. Mr. Hartye added that this process was great for spot repairs on lines where most of the pipe was in great shape, and just a small section needed repair – especially under a street as paving repairs were very expensive.

Mr. Bradford then presented information on the Private Sewer Program. This program is for private, failing and unclaimed systems that were not built to any public standard and not accepted by any entity. These are usually of poor quality and with no manholes, etc. MSD will accept these for maintenance and rehabilitation if they are a demonstrated health threat and/or cited for SSO's. Additionally, each homeowner connected to the system has to sign an agreement to donate all easements at no cost to MSD. Once all the homeowners have signed, MSD will put the system on a list to maintain, until the time that the project can be included in the budget and repaired or replaced. He presented a list of all the systems (approximately 55) where MSD has contacted the homeowners. He also presented a list of approximately 16 systems that are being maintained by MSD at the present time. He explained that MSD may maintain these systems for years before the problems get bad enough for rehabilitation. Two projects – Douglas Place and Freno Drive – have been placed in the CIP budget for construction within the next few years at the request of System Services as these have become more problematic. Rollingwood Road project was just completed in FY 11-12. Mr. Hartye explained that during the sewer consolidation agreement process, it was discovered that there were private lines and systems that were not claimed by any municipalities or homeowners associations, with many built to poor standards, and having associated health threats and SSO's. This program was developed in order to try to deal with maintenance and ownership of those systems. Mr. Haner asked if the \$200,000 annual budget for dealing with these systems was an adequate number. Mr. Bradford stated yes, absolutely, especially since MSD had recently changed its policy so that these systems could be taken and just maintained until the point that it became necessary to replace the system. There were occasionally large projects here and there, but on average, the funds are appropriate to cover most of the projects which range around \$100,000 or less. Mr. Hartye gave the Patton Mountain project as an example – this system consisted of approximately 14 homes but would

have cost almost \$700,000 to rehabilitate. It was determined that once maintenance access was established with property owners, these systems could be spot repaired and maintained for a long period of time, without having to pull funds from other projects with a higher priority. Mr. Martin stated that occasionally they would get calls from customers on such lines asking if MSD could take them over. Mr. Bradford stated that we can do look into those, but it may be a circumstance where it is a claimed system – either by a homeowners association or a developer that may not be performing proper maintenance and repairs. The systems we normally deal with are unclaimed systems and could be where the developer installed a cheap, low standard system has left town or gone bankrupt. Usually, there is no homeowners association responsible for maintain it, so it is unclaimed. If there is an entity that owns the system (such as Christmont), they are responsible for maintaining and repairing the lines and they answer to NCDENR directly. MSD can still entertain the possibility of taking such a system over, but the current owners would have to bring the system up to current MSD standards before we would consider taking it over.

Mr. Bradford then reviewed several upcoming projects in the collection system including Mountain Terrace Four Inch Main in West Asheville; North Griffing Boulevard in north Asheville which is another four inch main project consisting of 678 L.F.; Brookcliff Drive in the Beaverdam area which is a pipe rated project and consisting of 1400 L.F.; Givens Estates off of Sweeten Creek Road consisting of 3700 L.F.; Meadowlark Road near New Haw Creek Road with 273 L.F.; Merrimon Ave. at Stratford in north Asheville near Beaver Lake consisting of 3500 L.F., and Moore Circle which is in the Ridgecrest area and consists of approximately 1500 L.F. Short Coxe at Southside is another project soon to be constructed with many location and design issues as it is downtown under city streets. Other projects include Scenic View Drive near Owen Middle School with 1600 L.F, and Pipe Rating Contract #7, which is located in various areas around the District and has approximately 10,000 L.F. of line construction.

Mr. Bradford then reviewed the Collection System Master Plan (which was adopted by the Board in November of 2008). He explained that the Master Plan was developed in close cooperation with the District's member agencies and regional stakeholders, utilizing their land use policies and zoning regulations in laying out locations of new sewer lines. The Master Plan is used as the basis to ensure that extensions are done in an orderly and predictable fashion. Two larger projects guided under this plan are the Reems Creek Master Plan Interceptor which was just over 5,500 feet and is now complete; and a new project – the West French Broad Master Plan Interceptor – which the Board approved in July 2011. Design on this project is almost complete and it is ready to enter the right of way acquisition phase. It is located near Long Shoals Road in south Asheville and will consist of approximately 5800 L.F. of line.

Mr. Bradford then reviewed projects pertaining to the Water Reclamation Facility (Treatment Plant) and Pump Stations. He explained that approximately 18 million gallons of water are treated per day, basically amounting to the length of a football field, 50 feet high. He then reviewed the Final Microscreen project, stating that this project started in 2007 when design was initiated. Bidding and procurement of the equipment was scheduled for 2008, but because of the economic downturn, the project was delayed. The Board awarded the construction contract in October, 2010. Construction is estimated to cost approximately \$9.2 million, and will span three fiscal years. Construction is well underway, with completion estimated in the Fall of 2012. He showed several slides of construction being done, and equipment being installed. He also presented for examination a portion of one of the filters used in the new AquaDisk system, explaining how the total system would work.

Mr. Bradford then gave a brief review of the Weaverville Pumping System Rehabilitation, presenting a map of the total system from Weaverville and the Reems Creek Basin, through Weaverville Pump Station #1, #2 and the force main to the treatment plant. He explained that Buncombe County allowed MSD to rehabilitate portions of the force main during construction of their new training facility, where they had to move portions of the line to build the facility. Extensive work will be done to Pump Station No. 1; portions of the force main will be rehabilitated; and some work will be done at Pump Station No. 2. During the rehabilitation with Buncombe County, a portion of the force main was actually lowered in elevation, enabled by re-routing.

Mr. Bradford then proceeded to review several upcoming projects including the electrical improvements at the treatment plant. He pointed out the locations of the upgrades on a map, and stated that there were three general areas: external power supply from Progress Energy; internal distribution system; and the backup power supply. Improvements on the external power supply are complete with the installation of an automatic transfer switch and the Broadway feeder connect that Progress Energy has provided. The plant effectively now has two power sources. The internal system is being worked on now including adding new switchgear and multiple feeds within the plant. Additional backup power units are now being produced and are scheduled to be delivered next month. Installation of these units will be competitively bid in June or July. This project totals approximately \$2.3 million over two fiscal years. Another project at the plant – repairs to the hydro facility – will take place over the next year. This is a significant asset to MSD and is a source of clean and renewable energy. There are a total of three turbines/generators that generate up to 2.8 megawatts and this facility offsets a significant amount of power consumed at the plant. Utilizing this power generation, approximately \$3.6 million in electrical costs has been deferred from FY 2002 to FY 2011 – averaging about \$356,000 per year in savings. The District has also been able to sell renewable energy credits because it produces green energy. These credits sell for about \$60,000 per year. Mr. Bradford then presented a slide of the turbines, blades and associated equipment, and the work flow process. He went on to explain that the control panel at the hydro facility is old and needs to be replaced. The associated switchgear was replaced in 2002 and is still working fine. Another project scheduled for replacement is the influent pumps. These are arguably the most critical pumps at the District – they are large pumps and have been in service for approximately 25 years – 24 hours a day, 7 days a week, and 365 days a year. Typically, one runs at a time, and is rotated regularly with the other two. They have been re-built several times and are showing their age and wear. Two have been included on the replacement schedule for FY 13, and one for FY 14. Mr. Hartye explained that the main interceptor which runs alongside the river is very deep where it comes into the plant, and these pumps push all the sewage up and into the plant. It then flows through the treatment plant processes mostly by gravity until it reaches the intermediate pumps at the other end, where it is pumped again into the final clarifier. Mr. Haner asked what the pumping capacity was, and Mr. Bradford stated that each pump was rated at 35 million gallons per day. He explained all of the best parts from the three older pumps would be combined for an additional spare pump. Mr. Hartye briefly explained how the pumps were rotated and rebuilt, and in the future staff will keep a spare pump on hand.

Mr. Bradford next reviewed the Carrier Bridge Pump Station Elimination Study, which is almost complete. This is the largest pump station in our system and pumps about 45% of the plant's flow. It serves the entire upstream French Broad River basin including large portions of West Asheville, all of South Asheville and Southern and Western Buncombe County, including Hominy Creek, Cane Creek, and portions Henderson County including the Cane Creek Water and Sewer District. This study is being conducted by McGill Associates to determine the feasibility of elimination of this pump station, and does indicate that this station can be eliminated by the extension of approximately 6,700 feet of 60-inch interceptor along the West side of the French Broad River. Potential long term savings, along with elimination of liability issues could be realized. The feasibility study is almost complete, and a final report will be presented to the MSD Board sometime in the next three months. He then presented a graphic slide showing the location of the existing pump station and location of the proposed interceptor.

Mr. Bradford then reviewed two smaller capital projects – replacement the District's old telephone system and the Boardroom recording system. Both system were transferred and re-utilized from the original administration building, are past their usable life, and are no longer supported by the manufacturers. The recording system uses cassette tapes which are difficult to obtain and of poor quality. The new systems will be digital and can be maintained by in-house IT staff.

Mr. Aceto asked what the status was regarding the RBCs. Mr. Bradford stated they are on the radar screen – we allocate funds during the 10 year CIP to replace some of them if necessary. If we did have to replace some of them, they would have to be hydraulic or electrically driven units and there is funding available for that. The existing air-driven units are no longer manufactured. Mr. Hartye stated

that there were a couple of other variables in that equation and they are tied to and somewhat dependent upon the level of treatment based upon current and future regulatory determinations, i.e. if the District has to go to nutrient removal, etc. there would have to be analysis on what type of equipment would be necessary to replace the RBCs to comply with new regulations. An engineering study will be performed in the next year in regards to how to deal with this issue, and try to develop a phased-in approach to replace this equipment over a 20 year timeframe.

Mr. McGill, Engineer of Record for the District agreed that this program must be evaluated and based on the regulatory world. There are some regulatory issues that will most likely drive how and when the RBCs will be eliminated. If the replacement was started at this time, we would be “flying blind” and need to wait on regulatory rulings to see what we really need to do to comply. He stated that we were also blessed that currently the plant was only running at about half its capacity making it easier to comply with treatment regulations. Mr. Hartye added that maintenance staff was also able to keep most of the equipment performing relatively well with re-building bearings, etc.

Mr. Bradford explained that staff tries to save money wherever we can – coordinating projects with member agencies, particularly sidewalks, waterlines, storm drains, and paving repair, etc. Lining is utilized whenever possible – these are typically put out to bid in 10,000 foot blocks to obtain the best prices possible. In-house lining footages are utilized as well. The budgeted revenue for the current fiscal year is \$43.3 million; and since we operate with a balanced budget, expenditures are estimated at \$43.3 million, with about two-thirds of the budget being project-related through debt service and construction projects. An inflationary component is added for years 2 through 10, which is 3.65% for this budget cycle, which has typically averaged 3.43 to 3.5 percent in previous fiscal years.

Mr. Bradford then presented a summary of the future CIP averaging about \$15 million per year for a total 10 year estimated of \$149.1 million. He explained that the bulk of the work is with smaller lines. He pointed out that since consolidation through the end of 2011 MSD has reinvested almost \$276 million back into the system.

He went on to review the State Collection System permit, which requires MSD to rehabilitate 250,000 L.F over five years. It used to be 50,000 minimum for each year, but was re-negotiated in 2007. He also explained that this permit has been temporarily extended by S.B. 831 to eight years and 400 KLF because of economics. This bill temporarily extended various existing permits across the state, which included MSD’s Collection System Permit. MSD’s current 8-year target is 403,000 L.F.

Mr. Bradford then briefly covered Reimbursement Projects and explained there are no NCDOT betterments scheduled for the coming year. He also explained that special Districts such as MSD do not have to pay for non-betterment costs associated with NCDOT projects. All annexation agreement projects since consolidation have been completed with the exception of one in Black Mountain. There are no new reimbursement projects for FY 12-13.

He presented a chart showing the reduction in SSO’s ever the last 10 years, with a high of 288 back in 2000, and a low of 23 in 2009. In the last 12 month period, the SSO’s have hovered around 24.

He then presented a slide of MSD’s website and stated that a copy of the proposed CIP budget has been posted on the website for public viewing and comment. He also thanked staff for the work on the CIP budget, and asked for any questions or comments.

3. Capital Improvement Priorities & Review of the Ten-Year CIP Document

Mr. Haner encouraged everyone to look at the project summary contained in the CIP document, especially those that affect each municipality’s specific area. He then asked Mr. Bradford to explain the strategy used to determine which projects would be constructed each year. Mr. Bradford explained that each year, CIP staff meets with system services staff to determine which projects are causing the most problems. Since Asheville has the largest system, most of the projects are going to be located in

that area, but all projects are prioritized based having the most problems, not where they are located. Oftentimes, projects are re-prioritized based on these problems.

Mr. Haner then directed members to look at the project schedule behind the third tab in the budget book to see the scheduling of each project, and encouraged each municipality to coordinate projects with MSD staff whenever possible. Mr. Bradford explained that the projects were listed on the schedule in the same order, alphabetically, as they were listed in the budget book under each category.

Mr. Haner then asked about the projection of future projects under the Private Sewer Rehabilitation program. Mr. Bradford stated that this was merely a placeholder – there are unidentified projects that are sure to come up in future years, and these funds are put in place to anticipate the cost of rehabilitation of these projects in future years. The only amount that we are committing to at this time is the amount in the proposed FY12-13 budget which is \$25,000.

Mr. Haner asked if anyone had any concerns or issues they would like to discuss at this time. There was no further discussion or comments.

Mr. Haner directed the members of the committee to the last page of the Summary foldout sheet, and stated that we have for the Committee's endorsement a proposed Capital Improvement Program budget of \$18,364,180 which includes \$1.0 million in contingency for FY 12-13. He pointed out that that budget was decreased somewhat from last year. Mr. Bradford stated that the budget rises and falls from year to year, but the work at the treatment plant was driving the increase the last year or two and caused a somewhat higher budget in FY 11-12. Mr. Hartye added if it were all just line work, it would be pretty close from year to year, but if a plant project occurred in addition to the line work the budget would increase. Mr. Haner then thanked Mr. Bradford for the presentation, and praised staff for their efficiency and money saving strategies.

Mr. Haner then asked for a Motion to recommend endorsement of the proposed CIP Budget for FY 12-13 in the total amount of \$18,364,180. Mr. Vehaun made a motion to recommend endorsement of the proposed CIP Budget for FY 12-13. Mr. Creighton made a second to the motion. Following no further discussion, voice vote was unanimous in favor of the motion. The motion passed.

4. Adjourn

There was no further business or discussion. The meeting was adjourned at 9:35 a.m.

PLANNING COMMITTEE

May 3, 2012

10:00 a.m.

Chairman	Members
Al Root	Jon Creighton Esther Manheimer Chris Pelly Bill Stanley Jerry VeHaun Bob Watts

The Planning Committee of the Board of the Metropolitan Sewerage District met on Thursday, May 3, 2012 in the Boardroom of the Administration Building. Chairman Al Root presided with the following Committee Members present, Jon Creighton, Esther Manheimer, Chris Pelly, Bill Stanley, Jerry VeHaun and Bob Watts. Others present were Steve Aceto, Jackie Bryson, Glenn Kelly, Max Haner, Tom Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, Gary Jackson, Asheville City Manager, Steve Shoaf and Ron Kerns, Asheville Water, Darin Thomas with Raftelis, Marcus Jones, Henderson County, Michael Boaz with the Town of Weaverville, Joseph Martin with Woodfin Sanitary Water & Sewer District, Keith Haynes, NCDENR, Lee Smith with the City of Hendersonville, Dennis Lance, Stan Boyd, Ed Bradford, Scott Powell, Jim Hemphill, Mike Stamey, Peter Weed, Angel Banks, Sondra Honeycutt, MSD.

1. **Call to Order:**

Mr. Root called the meeting to order at 10:00 a.m. and welcomed guests.

2. **Review and consideration of LRC committee recommendations:**

Mr. Root called on Mr. Clarke for an update on the recommendations of the Legislative Research Commission (LRC). Mr. Clarke presented a copy of the LRC recommendations. He stated that at the last Planning Committee meeting, the Committee discussed the draft recommendations of the Legislative Research Committee Metropolitan Sewerage/Water Subcommittee. The recommendations have now been finalized. Mr. Clarke pointed out that Recommendation 1 – the recommendation that the Metropolitan Sewerage District Act be amended to reflect population shifts in single-county districts, to modify representation in multicounty district, and to allow metropolitan sewerage districts to exercise the same authority as metropolitan water districts. He stated that the recommendation the LRC made with regard to amending the statute is the same as the Planning Committee initially recommended and the full Board endorsed. He further reported that Recommendation 2 is the same as the draft report that was considered by the Board and reads, “The Committee recommends merging the Public Utility Water System with the Metropolitan Sewerage District of Buncombe

County.” In addition, the five (5) benefits of combining the two utilities were listed along with the following statement: “Should the interested governments craft their own solution for consolidation, which achieves all the objectives of the Committee, before the 2013 North Carolina General Assembly convenes, due consideration would be given to the local plan. Action will not be taken if the parties are engaged in good-faith negotiations on this matter.” He noted that page 26 of the report includes the addition of Item 16 which includes a recommendation that regional water and sewer stakeholders consider, among other things, “whether and how water system operators in the district other than City of Asheville and Henderson County ought to be encouraged to transfer their systems to the district.” Recommendation 3 recognizes the efforts of the Conservation Trust for North Carolina in protecting the drinking water in and around Asheville. Mr. Clarke stated that the Conservation Easement on the Asheville Watershed is not something the Planning Committee needs to concern itself with, but he wanted to make sure all of the recommendations were discussed. Mr. Clarke reported that the LRC itself is scheduled to meet on May 16, 2012, to consider the recommendations of the subcommittee.

3. Consideration of a process going forward.

Mr. Hartye reported that the purpose of this item is to discuss the process of considering the recommendations of the LRC. The two primary issues to address are first, for MSD to meet its fiduciary responsibility to its ratepayers by conducting a comprehensive study to determine the impact of the LRC recommendations on MSD. He stated that at the last Planning Committee meeting, prior to the LRC meeting, he gave a “broad brush” impact study regarding a water/sewer merger, and indicated that MSD would need to conduct a more detailed study. Mr. Hartye presented a chart showing the time frame of the study process beginning with the collection of information; staff due diligence, with MSD doing an internal impact analysis, then developing a scope of services for a consultant to consider. The second issue is to gauge the interest of MSD member agencies and other parties in the region to see if they want to be involved in this study. Mr. Aceto clarified that MSD is gauging the interest of its member agencies because this is part of what the LRC subcommittee recommended; whether they want to participate in some way and how this will impact them. He stated that the idea is to engage all of the stakeholders and that part of this study may address some of their concerns. Mr. Clarke stated that the specific language reads: “Consider whether and how water system operators in the District other than COA and Henderson County ought to be encouraged to transfer their systems to the District.”

Mr. Root asked Mr. Hartye his thoughts on who the consultant may be. Mr. Hartye stated that most of the larger national firms have both utility and business/finance people. The intent is to do the necessary due diligence to find out what is needed and what to require as far as the engineering and utility aspects. In the beginning MSD needs

to do the due diligence and develop a scope of services for that and eventually bring the approval of a consultant back to the Board following the RFP process. He stated that MSD is starting to receive some information from the City and the first part of this item is to get the Committee endorsement of going ahead with the study. Mr. Root asked if the Committee needs to recommend going ahead with the study at the May Board meeting or give permission at today's meeting. Mr. Hartye said both. Ms. Manheimer asked if the Committee should look at the criteria before the RFP goes out. Mr. Hartye stated that because of the time element, he thought staff should come up with the criteria, but if the Board or Planning Committee want to meet to take a look at the criteria, that would be fine. Mr. Clarke stated that given the significance of what MSD is undertaking, the board members should consider and approve the criteria for the RFP. Board members have an obligation to look out for the preservation and improvement of the health and welfare of the District. MSD needs to do the study in order to meet that obligation. He suggested it might be good for the Board to review the scope of the RFP and endorse it. Mr. Aceto stated that this should be part of a meeting where there is public notice; giving the public an opportunity to attend and be informed. Mr. Root asked if the scope of services would be ready by mid to late June. Mr. Hartye said yes. He stated that it's anticipated that the selection of the consultant should take place by July 18th in order for the consultant to begin the study and have its findings back to the Planning Committee and Board by November 12th. Ms. Manheimer stated that it's critical that the study be framed correctly. She reported that the City has engaged former City Manager Doug Bean who is now with Raftelis, a utilities consulting firm, to represent the City in terms of providing information and input into the study process.

Mr. Watts asked if MSD needs to look at budget numbers. Mr. Hartye said yes, that specifics will come in that recommendation with the intention of including a line item on the CIP budget with MSD paying the full cost regardless of the member agencies who want to be involved. Mr. Haner asked about the response time for an RFP. Mr. Hartye said a few weeks. Mr. Haner stated that any response from entities, as to whether they are interested in participating, should be in the form of a letter. Mr. Aceto stated that it's important to engage the stakeholders on whether they want to be involved. Mr. Root stated that Weaverville's interest would be in trying to fully flesh out what this would look like. He further stated that they would need more information in the next few weeks in order to decide if this is a great idea or an awful idea. Mr. Kelly asked if the recommendation of other water systems only includes those who collect, treat and distribute, or could MSD consider just a distribution system that needs study. Mr. Aceto said these types of systems can be included in the RFP as long as they meet the time constraints. Also, would it be appropriate for MSD to write a letter to the municipalities and invite them to be part of the RFP process. Mr. Pelly suggested asking the same series of focused questions to each potential participant so MSD is sure to gather the same information such as, are you interested; are you satisfied with your water source, etc. so there is the same baseline information from each community. Mr. Clarke stated that prior

to consolidation of the sewer system, meetings were held over a period of about three years, and eventually a recommendation was made. Mr. Aceto stated that the participants were primarily City Managers, executives and hands-on people who operated the systems. He further stated that this went on for some time and its form changed; the plan they ended up with was not a plan that anybody proposed to start with. Mr. Bryson asked Mr. Martin to speak to the resolution that the Woodfin Water Board proposed. Mr. Martin stated that the Woodfin Water Board endorsed the idea of the water system staying under local control; not being part of a consolidation. He further stated that from a water standpoint, most of the water systems are in pretty good shape, they are not the sewer systems that were falling apart with 30 years of neglect. From Woodfin's personal standpoint, it has the lowest water rates in the area and from the ratepayers point of view; they do not see much value in transferring Woodfin Water to MSD or becoming a part of some consolidation effort. The idea of an RFP has not been brought up, but will be discussed at the next meeting. He stated that Woodfin water comes from the Ivy River Watershed and some is bought from the City of Asheville. Over the years they have become more efficient and think the other water systems are probably the same; making for a difficult sell.

Mr. Root asked Mr. Hartye if he would be willing to sit down with the Town Managers to discuss this. Mr. Hartye said yes, but it would be up to their respective Boards/councils to see if they want to be involved.

Mr. Watts moved that the Committee accept the flow chart presented by Mr. Hartye as a guideline. Mr. Stanley seconded the motion. The motion carried by a show of hands.

4. Other Business:

None

5. Adjournment:

With no further business, Mr. Root called for adjournment at 10:35 a.m.

CONSOLIDATED MOTION AGENDA

Metropolitan Sewerage District of Buncombe County Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 4/25/2012 BOARD MEETING DATE: 5/16/2012

SUBMITTED BY: Tom Hartye, PE, General Manager
PREPARED BY: Angel Banks, Right of Way Manager
REVIEWED BY: Ed Bradford, PE, Director of CIP

SUBJECT: Consideration of Compensation Budgets-

Rash Road SSR, Project No. 2010095
14 Daniel Road SSR, Project No. 2011057
Old US 70 @ Grovemont Avenue, Project No. 2007322

The attached Compensation Budgets are based on current ad valorem tax values and follow the MSD approved formula.

STAFF RECOMMENDATION: Approval of Compensation Budgets.

Ms. Banks explained the location of the projects. The Rash Road project is comprised of approximately 550 linear feet of 8" DIP to replace 4" orangeburg pipe and 6" VCP and PVC. 14 Daniel Road project is comprised of approximately 558 linear feet of 8" DIP to replace 8" VCP. The Old US 70 @ Grovemont Avenue project consists of 4700 linear feet of 8" and 12" DIP to replace 6" and 8" VCP. There was no discussion. Mr. VeHaun made the motion to accept staff's recommendation. Mr. Creighton seconded the motion. Voice vote was unanimous.

COMMITTEE RECOMMENDATION: Approval of Compensation Budgets.

COMMITTEE ACTION TAKEN	
Motion by: Jerry VeHaun	To: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by: Jon Creighton	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff

Rash Road Sewer Rehabilitation

Project Number 2010095

Compensation Budget

16-Apr-12

Pin Number and Name

17 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd.	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9628583845	3.98	173,368.80	\$84,600.00	\$0.49	0.00	\$0.00	\$0.00	569.86	\$279.23	\$27.92	1	\$2.33	\$2
	9628596338	0.56	24,393.60	\$28,200.00	\$1.16	68.50	\$79.46	\$39.73	4,755.58	\$5,516.47	\$551.65	1	\$45.97	\$86
	9628595384	0.16	6,969.60	\$5,400.00	\$0.77	301.51	\$232.16	\$116.08	2,879.88	\$2,217.51	\$221.75	1	\$18.48	\$135
	9628596118	0.43	18,730.80	\$32,100.00	\$1.71	1,625.01	\$2,778.77	\$1,389.38	2,133.35	\$3,648.03	\$364.80	1	\$30.40	\$1,420
	9628594337	1.28	55,756.80	\$38,100.00	\$0.68	112.64	\$76.60	\$38.30	1,281.47	\$871.40	\$87.14	1	\$7.26	\$46

TOTALS:	\$1,688
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$11,688

14 Daniel Road Sanitary Sewer Replacement

Project Number 2011057

Compensation Budget

16-Apr-12

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9618726884	1.09	47,480.40	\$30,400.00	\$0.64	4,125.60	\$2,640.38	\$1,320.19	7,740.52	\$4,953.93	\$495.39	2	\$82.57	\$1,403
	9618738053	3.28	142,876.80	\$60,600.00	\$0.42	2,313.81	\$971.80	\$485.90	5,442.72	\$2,285.94	\$228.59	2	\$38.10	\$524
	9618729658	0.18	7,840.80	\$21,700.00	\$2.77	0.00	\$0.00	\$0.00	1,333.21	\$3,692.99	\$369.30	2	\$61.55	\$62
	9618822823	3.00	130,680.00	\$57,600.00	\$0.44	0.00	\$0.00	\$0.00	1,965.11	\$864.65	\$86.46	2	\$14.41	\$14
	9618724923	0.96	41,817.60	\$27,900.00	\$0.67	0.00	\$0.00	\$0.00	572.33	\$383.46	\$38.35	2	\$6.39	\$6
	9618734057	0.76	33,105.60	\$27,100.00	\$0.82	27.56	\$22.60	\$11.30	802.01	\$657.65	\$65.76	2	\$10.96	\$22

TOTALS:	\$2,031
Staff Contingency:	\$5,000
GM's Contingency	\$5,000
Amendment	
Total Budget:	\$12,031

Old US 70 @ Grovemont Avenue

Project Number 2007322

Compensation Budget

16-Apr-12

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd.	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9699421571	1.56	67,953.60	\$39,700.00	\$0.58	12,367.50	\$7,173.15	\$3,586.58	18,846.30	\$10,930.85	\$1,093.09	6	\$546.54	\$4,133
	9699315757	0.44	19,166.40	\$23,300.00	\$1.22	443.70	\$541.31	\$270.66	1,062.90	\$1,296.74	\$129.67	6	\$64.84	\$335
	9699522687	0.45	19,602.00	\$32,300.00	\$1.65	1,377.60	\$2,273.04	\$1,136.52	2,852.90	\$4,707.29	\$470.73	6	\$235.36	\$1,372
	9699219823	4.40	191,664.00	\$63,800.00	\$0.33	772.00	\$254.76	\$127.38	6,832.70	\$2,254.79	\$225.48	6	\$112.74	\$240
	9699439107	8.32	362,419.20	\$128,800.00	\$0.36	2,031.30	\$731.27	\$365.63	2,517.40	\$906.26	\$90.63	6	\$45.31	\$411
	9699212964	2.21	96,267.60	\$0.00	\$0.00	10,061.90	\$0.00	\$0.00	9,049.30	\$0.00	\$0.00	6	\$0.00	\$0
	9699314786	0.52	22,651.20	\$0.00	\$0.00	495.60	\$0.00	\$0.00	1,046.30	\$0.00	\$0.00	6	\$0.00	\$0
	9699630172	0.76	33,105.60	\$33,900.00	\$1.02	401.00	\$409.02	\$204.51	591.70	\$603.53	\$60.35	6	\$30.18	\$235
	9699328054	1.44	62,726.40	\$52,100.00	\$0.83	6,092.50	\$5,056.78	\$2,528.39	5,400.30	\$4,482.25	\$448.22	6	\$224.11	\$2,752
	9699422029	0.88	38,332.80	\$22,400.00	\$0.58	6,544.00	\$3,795.52	\$1,897.76	7,152.70	\$4,148.57	\$414.86	6	\$207.43	\$2,105
	9699525739	0.20	8,712.00	\$18,800.00	\$2.16	1,133.30	\$2,447.93	\$1,223.96	1,124.80	\$2,429.57	\$242.96	6	\$121.48	\$1,345
	9699317744	0.53	23,086.80	\$27,700.00	\$1.20	432.00	\$518.40	\$259.20	1,218.50	\$1,462.20	\$146.22	6	\$73.11	\$332
	9699412317	5.00	217,800.00	\$165,200.00	\$0.76	240.00	\$182.40	\$91.20	3,441.80	\$2,615.77	\$261.58	6	\$130.79	\$222
	9699525892	0.21	9,147.60	\$20,800.00	\$2.27	1,061.60	\$2,409.83	\$1,204.92	1,123.90	\$2,551.25	\$255.13	6	\$127.56	\$1,332
	9699312716	0.72	31,363.20	\$57,800.00	\$1.84	476.40	\$876.58	\$438.29	812.90	\$1,495.74	\$149.57	6	\$74.79	\$513
	9699316832	0.19	8,276.40	\$10,600.00	\$1.28	328.80	\$420.86	\$210.43	611.40	\$782.59	\$78.26	6	\$39.13	\$250
	9699229019	1.22	53,143.20	\$54,000.00	\$1.02	490.10	\$499.90	\$249.95	1,447.30	\$1,476.25	\$147.62	6	\$73.81	\$324
	9699119977	1.12	48,787.20	\$67,000.00	\$1.37	597.70	\$818.85	\$409.42	292.10	\$400.18	\$40.02	6	\$20.01	\$429
	9699328284	1.72	74,923.20	\$32,900.00	\$0.44	648.40	\$285.30	\$142.65	838.10	\$368.76	\$36.88	6	\$18.44	\$161
	9699313744	1.84	80,150.40	\$93,400.00	\$1.17	1,462.00	\$1,710.54	\$855.27	1,575.20	\$1,842.98	\$184.30	6	\$92.15	\$947
	9699524766	0.20	8,712.00	\$18,800.00	\$2.16	1,118.70	\$2,416.39	\$1,208.20	1,124.80	\$2,429.57	\$242.96	6	\$121.48	\$1,330
	9699527827	0.20	8,712.00	\$18,800.00	\$2.16	1,011.80	\$2,185.49	\$1,092.74	1,077.90	\$2,328.26	\$232.83	6	\$116.41	\$1,209
	9699539105	3.14	136,778.40	\$168,900.00	\$1.23	115.00	\$141.45	\$70.73	4,931.30	\$6,065.50	\$606.55	6	\$303.27	\$374
	9699316959	0.33	14,374.80	\$35,300.00	\$2.46	655.90	\$1,613.51	\$806.76	360.30	\$886.34	\$88.63	6	\$44.32	\$851
	9699524713	0.15	6,534.00	\$4,500.00	\$0.69	1,344.30	\$927.57	\$463.78	1,251.80	\$863.74	\$86.37	6	\$43.19	\$507
	9699227357	7.09	308,840.40	\$117,600.00	\$0.38	296.20	\$112.56	\$56.28	964.90	\$366.66	\$36.67	6	\$18.33	\$75

Old US 70 @ Grovemont Avenue

Project Number 2007322

Compensation Budget

16-Apr-12

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd.	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
--------	--------	-------	-----------	------------	-------	----	----------------	--------------------	--------	-----------	-----------------	--------------------	----------------	-----------------------

TOTALS: \$21,786

Staff Contingency: \$15,000

GM's Contingency \$15,000

Amendment

Total Budget: \$51,786

Pins 9699-31-4786, 9699-21-2964 & 9699-21-5869 belong to Buncombe County; MSD does not compensate state agencies, county agencies, municipalities, etc.

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

BOARD MEETING DATE: May 16, 2012

SUBMITTED BY: Tom Hartye, P.E. - General Manager

PREPARED BY: Jon van Hoff, Industrial Pretreatment Coordinator
Dennis Lance, Interim Treatment Director

SUBJECT: Adoption of Revised MSD Sewer Use Ordinance

BACKGROUND: October 21, 2009 was the last time that the MSD Board adopted changes in the Sewer Use Ordinance. These changes directly affected the Pretreatment Program and were derived from specific Streamlining Rules published in the Federal Register by the EPA and adopted by the State.

Effective April 1, 2011, the Pretreatment Rules NCAC 15A 02H .0900 were revised to reflect the adoption of all remaining Streamlining Rules. In so doing, the Pretreatment, Emergency Response, and Collection Systems (PERCS) unit of the North Carolina Division of Water Quality (DWQ) revised the Model Sewer Use Ordinance on August 26, 2011 and requested that the Pretreatment Programs throughout North Carolina modify their respective Sewer Use Ordinances.

At the February 2012 meeting the MSD Board adopted a Declaration of Intent to Adopt the revised MSD Sewer Use Ordinance. The Ordinance was sent out to the local governing bodies within the District for review & comment. Only one comment was received, from the Biltmore Forest. Biltmore Forest had no concerns with the changes proposed for the SUO.

Below were the significant changes made to MSD's Sewer Use Ordinance as presented at the February 2012 MSD Board meeting:

State Required Changes to the SUO

Description	Related Section(s) in the SUO
Judging Compliance based on Daily Maximum and Monthly Average limits separately rather than collectively and removed Maximum Monthly Average from "Fixed Upper Limits for Constituents".	4.02.07 B.i. and ii. 5.03.05 A.
"Permit Synopsis" and its accompanying information have been replaced with "Rationale" as part of the "Permit Supporting Documentation".	1.03.46 4.02.05
Significant changes to operations or wastewater characteristics <u>must</u> be approved by MSD prior to incorporating those changes.	10.07
"MSD" instead of "General Manager or duly authorized representatives/pretreatment staff" shall be permitted to enter property to inspect or sample and if refused access to the facility, may seek issuance of a search warrant.	11.01 11.05

State Recommended Changes Significant to the Pretreatment Program

Description	Related Section(s) in the SUO
Incorporated of the newly defined Non-Significant Categorical Users and Middle Tier Significant Categorical Industrial User.	1.03.65 F. 1.03.65 G.
Following the recommendation of the State, changes in the definition of Significant Noncompliance or SNC were made. Under these new changes, MSD will not be force publish, in the local newspaper, any non-SIUs with Chronic or Technical Review Criteria violations.	1.03.66
Submittal time of applications for permits to new industries will be reduced from 180 days to 90 days prior to proposed date of discharge of process wastewater. Renewal permits will remain at 180 days.	4.02.01 4.04.02
The Fats, Oils, and Grease (FOG) program has evolved over the years resulting in developmental changes in the program. The sections relating to the FOG program have been modified to exemplify the current implementation.	5.04 5.05 5.06
In preparation for future expectations of receiving and submitting data with electronic signatures, this section has been added.	10.06.01 A.
Prevents IUs from having to become State certified before analyzing and reporting pH.	10.10

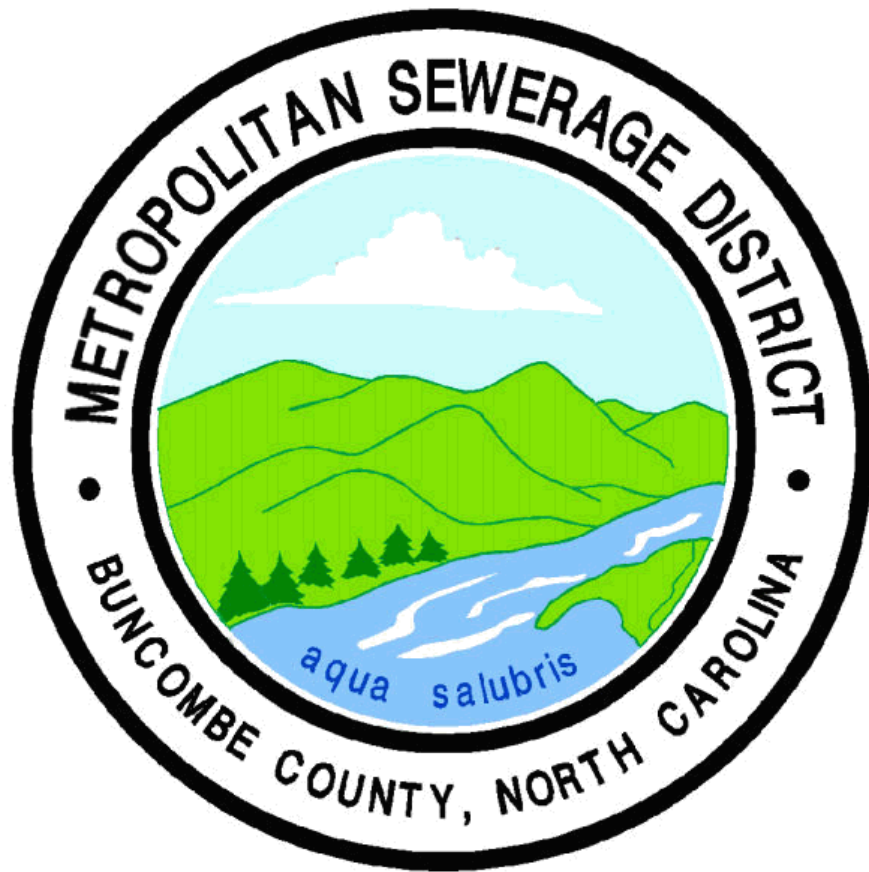
FISCAL IMPACT: Limited to reproduction and postage costs.

STAFF RECOMMENDATION: For the MSD Board to adopt the revised MSD Sewer Use Ordinance.

BOARD ACTION TAKEN	
Motion by: To:	<input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	

Sewer Use Ordinance

**Metropolitan Sewerage District
of
Buncombe County, North Carolina**



**THOMAS E. HARTYE, P.E.
GENERAL MANAGER**

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1 GENERAL PROVISIONS	
1.01 Purpose and Policy	1
1.02 Abbreviations	1
1.03 Definitions	2
1.04 Inclusion in Definitions	11
SECTION 2 SEWERS REQUIRED	
2.01 Discharge of Untreated Wastewater Prohibited	12
2.02 Use of Sanitary Sewers	12
SECTION 3 PRIVATE WASTEWATER DISPOSAL	
3.01 Holding Tank Waste	13
3.02 Additional Requirements	13
SECTION 4 WASTEWATER DISCHARGE PERMITS	
4.01 Unauthorized Connections to Sewerage System	14
4.02 Permits to Discharge Industrial Waste for New Sources	14
4.03 Significant Changes in Industrial Waste Discharge	17
4.04 Permits to Discharge Industrial Waste for Existing Industrial User	17
4.05 Discharge Prohibited Where Permits Denied	18
4.06 Conditions for Issuing or Renewing Permits	18
4.07 Permits for Industries Subject to National Categorical Pretreatment Standards	19
4.08 Permit Conditions and Duration	19
4.09 Permit Transfers	20
4.10 Permit Modification	20
SECTION 5 EXCLUDED WASTES	
5.01 General Prohibitions	21
5.02 Specific Prohibited Wastes	21
5.03 Local Limits	23
5.04 Standards and Requirements for Food Service Establishments	25
5.05 Construction Standards for New Food Service Establishments	26
5.06 Construction Standards for Existing Food Service Establishments	27
SECTION 6 PRETREATMENT	
6.01 Responsibility for Pretreatment	29
6.02 Authorization to Construct	29
6.03 Maintenance of Pretreatment Facilities	29
6.04 Additional Pretreatment Measures	29
6.05 Accidental Discharge/Slug Control Plan	30
SECTION 7 FLOW AND CONCENTRATION CONTROL	
7.01 Discharge of Slugs Prohibited	31
7.02 Control of Discharge Rates	31
7.03 Spill Control Response Plan/ Slug Discharge Plan	31
7.04 Reporting of Spill/Slug Discharges	31

TABLE OF CONTENTS (continued)

	<u>Page</u>
SECTION 8 MEASUREMENT OF FLOW	
8.01 Determination of Wastewater Volumes	32
8.02 Provision, Calibration and Certification of Flow Meters	32
8.03 Identification of All Flows Required	33
SECTION 9 MONITORING FACILITIES	
9.01 General Requirements for Monitoring Facilities	34
9.02 Maintenance of Monitoring Facilities	34
9.03 Continuous Recording and Sampling Equipment	34
9.04 Construction Periods	34
9.05 Additional Facilities for Present Users	34
9.06 Monitoring Facilities for New Users	34
SECTION 10 INSPECTIONS, MONITORING REPORTING AND RECORDS	
10.01 Periodic Inspections and Sampling	35
10.02 Reporting Requirements for Applicable Categorical Standards	35
10.03 Compliance Schedule Progress Reports	36
10.04 Reports on Compliance with Categorical Pretreatment Standards Deadline	36
10.05 Reports from Non-Significant Categorical Industrial Users	36
10.06 Periodic Compliance Reports for Significant Industrial Users	37
10.07 Reports of Changed Conditions	37
10.08 Reports of Potential Problems	37
10.09 Notice of Violation/Repeat Sampling and Reporting	38
10.10 Sampling, Analyses and Reporting for All Users	38
10.11 Notification of Discharge of Hazardous Material	39
SECTION 11 AUTHORITY FOR INSPECTION	
11.01 Right of Entry	40
11.02 Ready Access	40
11.03 Monitoring Access	40
11.04 Security Arrangements	40
11.05 Search Warrant	40
SECTION 12 CONFIDENTIAL INFORMATION	
12.01 Confidential Information	41
SECTION 13 PROTECTION OF EQUIPMENT	
13.01 Protection of Equipment	42
SECTION 14 ENFORCEMENT, PENALTIES AND COSTS	
14.01 Enforcement Action	43
14.02 Civil Penalties	45
14.03 Adjudicatory Hearing	46
14.04 Other Remedies	47
14.05 Remedies Nonexclusive	47
14.06 Affirmative Defenses to Discharge Violations	48
14.07 Annual Publication of Significant Noncompliance	49

TABLE OF CONTENTS (continued)

	<u>Page</u>
SECTION 15 FEES	
15.01 User Charges and Fees	50
15.02 User Charge and Fee Schedules	50
SECTION 16 SEWER EXTENSION PERMITS	
16.01 Purpose	51
16.02 Definitions	51
16.03 Permit for Extension or Modification to the Sewer System	51
16.04 Processing of Applications	52
16.05 Enforcement	53
16.06 Hearing	53
16.07 Permit Not Transferable	56
SECTION 17 SPECIAL ARRANGEMENTS	
17.01 Special Arrangements	57
SECTION 18 SEVERABILITY	
18.01 Severability	58
SECTION 19 CONFLICT	
19.01 Conflict with Other Ordinances and Regulations	59
19.02 Conflict with Federal, State or Local Law	59
SECTION 20 AMENDMENT	
20.01 Amendments	60
SECTION 21 ADOPTION AND EFFECTIVE DATE	
21.01 Declaration of Intent to Adopt	61
21.02 Consideration of Comments and Suggestions	61
21.03 Adoption and Effective Date	61

A RESOLUTION ADOPTING AN ORDINANCE FOR
THE METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA
TO REGULATE AND CONTROL
DISCHARGE OF WASTEWATER INTO THE
SEWERAGE SYSTEM AND ISSUANCE OF SEWER EXTENSION PERMITS
BY THE METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA

BE IT RESOLVED BY THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA:

**That the District Board of the Metropolitan Sewerage District of Buncombe County, North
Carolina does hereby adopt the following Ordinance:**

SEWER USE ORDINANCE
OF THE
METROPOLITAN SEWERAGE DISTRICT
OF
BUNCOMBE COUNTY, NORTH CAROLINA

SECTION 1 GENERAL PROVISIONS

Section 1.01 Purpose and Policy

This Sewer Use Ordinance is adopted pursuant to provisions of North Carolina General Statutes, Section 162 A-69, and Section 162 A-81. This Ordinance enables the Metropolitan Sewerage District of Buncombe County, North Carolina (MSD) to comply with applicable State and Federal laws, including 15A NCAC 02H .0900, including the Clean Water Act (33 United States Code §1251 et seq.), the General Pretreatment Regulations (40 CFR, Part 403) and North Carolina General Statutes, Chapter 143 143, Article 21. This Ordinance shall apply to all users or may become users of the sewerage system of the Metropolitan Sewerage District of Buncombe County, North Carolina. It is the purpose of this Ordinance to protect, preserve, and promote the public health and environment of the District.

The objectives of this Ordinance are:

- 1.01.01 To prevent the introduction of pollutants into the sewerage system that will interfere with the operation of the system or contaminate the resulting sludge;
- 1.01.02 To prevent the introduction of pollutants into the sewerage system, which will pass through the system, inadequately treated, into any waters of the State or otherwise, be incompatible with the sewerage system;
- 1.01.03 To promote reuse and recycling of industrial wastewater and sludges from the sewerage system;
- 1.01.04 To protect both sewerage system personnel who may be affected by sewage, sludge, and effluent in the course of their employment as well as protecting the general public;
- 1.01.05 To provide for equitable distribution of the cost of operation, maintenance and improvement of the sewerage system; and
- 1.01.06 To ensure that the sewerage system complies with its National Pollutant Discharge Elimination system (NPDES), Non-Discharge Permit, Collection System Permit conditions, sludge use and disposal requirements, and any other Federal or State laws to which the sewerage system is subject.

This Ordinance provides for the regulation of direct and indirect contributors to the sewerage system, through the issuance of permits to certain non-domestic users and through enforcement of general requirements for other users. The General Manager shall administer, implement, and enforce the provisions of this Ordinance. Any powers granted to or imposed upon the General Manager may be delegated to other MSD personnel. By discharging wastewater into the municipal wastewater system, users located outside the District boundaries agree to comply with the terms, and conditions established in this Ordinance, as well as any permits, enforcement actions, or orders issued hereunder.

Section 1.02 Abbreviations

The following abbreviations shall have the designated meanings:

- 1.02.01 **BOD** - Biochemical Oxygen Demand
- 1.02.02 **CFR** - Code of Federal Regulations
- 1.02.03 **COD** - Chemical Oxygen Demand
- 1.02.04 **°C** - Degrees Celsius
- 1.02.05 **°F** - Degrees Fahrenheit
- 1.02.06 **DENR** - (The) North Carolina Department of Environment and Natural Resources, Division of Water Quality
- 1.02.07 **EPA** - (The) U. S. Environmental Protection Agency

1.02.08	l	- Liter.
1.02.09	mg	- Milligram(s)
1.02.10	mg/l	- Milligram(s) per Liter
1.02.11	MSD	- (The) Metropolitan Sewerage District of Buncombe County, North Carolina
1.02.12	N.C.G.S.	- North Carolina General Statutes
1.02.13	NPDES	- National Pollutant Discharge Elimination System
1.02.14	POTW	- Publicly Owned Treatment Works
1.02.15	RCRA	- Resource Conservation and Recovery Act of 1976 as amended
1.02.16	SIU	- Significant Industrial User
1.02.17	TSS	- Total Suspended Solids
1.02.18	U.S.C.	- United States Code

Section 1.03 Definitions

The following words, terms and phrases, wherever used in this Ordinance, shall have the meanings respectively ascribed to them in this section unless the context plainly indicates otherwise or that a more restricted or extended meaning is intended.

- 1.03.01 **Act or "the Act"**: The Federal Water Pollution Control Act, also known as the Clean Water Act, as amended, 33 U.S.C. §1251, et seq.
- 1.03.02 **Accidental Discharge**: Any release of Wastewater, which, for any unforeseen reason, fails to comply with any prohibition or limitation in this Ordinance.
- 1.03.03 **Approval Authority**: The Director, the Division of Water Quality of North Carolina Department of Environment and Natural Resources or his designee (DENR).
- 1.03.04 **Authorized Representative of the Industrial User**:
- A. If the industrial user is a corporation, Authorized Representative shall mean:
 - i. The president, secretary, or a vice-president of the corporation in charge of a principal business function, or any other person who performs similar policy or decision making functions for the corporation., or
 - ii. The manager of one or more manufacturing, production, or operation facilities, provided, the manager is authorized to make management decisions which govern the operation of the regulated facility including having the explicit or implicit duty of making major capital investment decisions, and initiate and direct comprehensive measures to assure long-term environmental compliance with environmental laws and regulations; can ensure that the necessary systems are established or actions taken to gather complete and accurate information for control mechanism requirements; and where authority to sign documents has been assigned or delegated to the manager in accordance with corporate procedures.
 - B. If the Industrial User is a partnership or sole proprietorship, an Authorized Representative shall mean a general partner or proprietor, respectively. If the Industrial User is a Federal, State, or local government facility, an Authorized Representative shall mean a director or highest official appointed or designated to oversee the operation and performance of the activities of the government facility, or their designee.
 - C. The individuals described in paragraphs (A) through (B) above may designate another person to be an Authorized Representative if the authorization is in writing, the authorization specifies the individual or position responsible for the overall operation of the facility from which the discharge originates or having overall responsibility for environmental matters for the company, and the written authorization is submitted to MSD.

- D. If the designation of an Authorized Representative is no longer accurate because a different individual or position has responsibility for the overall operation of the facility, or overall responsibility for environmental matters for the company, a new authorization satisfying the requirements of this section must be submitted to the General Manager prior to or together with any reports to be signed by an Authorized Representative.
- 1.03.05 **Best Management Practice (BMP):** A practice or combination of practices that are determined to be the most effective and practicable means of reducing/controlling pollutants (including treatment requirements, operating procedures, schedules of activities, prohibition of practices, maintenance procedures, or other management practices).
- 1.03.06 **Biochemical Oxygen Demand or BOD:** The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures in five (5) days at 20°C (68°F) expressed in terms of weight and volume (mg/L).
- 1.03.07 **Building Sewer or House Connection:** The connecting pipe from a building, beginning five (5) feet outside the inner face of the building wall, to a sanitary sewer.
- 1.03.08 **Bypass:** The intentional or unintentional diversion of waste streams from any portion of a user's treatment facility.
- 1.03.09 **Categorical Standard:** National Categorical Pretreatment Standard or Pretreatment Standard as defined in Subsection 1.03.38.
- 1.03.10 **Color:** Considered to be the true color of the light transmitted by a waste solution after removing suspended material including pseudo colloidal particles.
- 1.03.11 **Collection System Permit:** A permit issued by DENR to MSD for the operation and maintenance of a wastewater collection system, in accordance with the provisions of Article 21 of N.C.G.S. 143, as amended.
- 1.03.12 **Composite Sample or Twenty-Four Hour Sample:** A sample made by combining a number of grab samples collected over a defined period of time. A composite sample may be either a:
- A. **Flow Proportional Composite Sample:** A sample composed of sample aliquots combined in proportion to the amount of flow occurring at the time of their collection. Such samples may be composed of equal aliquots being collected after equal predetermined volumes of flow pass the sample point or of flow proportional grab sample aliquots being collected at predetermined time intervals so that at least eight (8) aliquots are collected per twenty-four (24) hours. The General Manager, or his designee, shall determine the number of samples necessary to ensure representative sampling.
- B. **Time Proportional Composite Sample:** A sample composed of equal sample aliquots taken at equal time intervals of not more than two hours over a defined period of time. Number of samples taken in accordance with the requirements of (A) above shall be taken in number sufficient to ensure representative sampling. The General Manager, or his designee, shall determine the number of samples necessary to ensure representative sampling.
- 1.03.13 **Combined Sewer:** A sewer receiving both surface runoff and wastewater.
- 1.03.14 **Constituents:** The specific compounds and components that comprise a wastewater.
- 1.03.15 **Control Authority:** The Metropolitan Sewerage District of Buncombe County, North Carolina (MSD).

- 1.03.16 **Cooling Water:** The wastewater discharged from any use such as air conditioning, cooling or refrigeration or to which the only Pollutant added is heat.
- 1.03.17 **Direct Discharge:** The discharge of treated or untreated wastewater directly to the waters of the State of North Carolina.
- 1.03.18 **Domestic Waste:** All liquid and waterborne pollutants as defined in Subsection 1.03.48 exclusive of unpolluted wastewater as defined in Subsection 1.03.78 or wastewater or process wastes from operations of Industrial Users as defined in Subsection 1.03.31.
- 1.03.19 **The District:** The Metropolitan Sewerage District of Buncombe County, North Carolina (MSD).
- 1.03.20 **District Board:** The District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina.
- 1.03.21 **Environmental Protection Agency or EPA:** The U. S. Environmental Protection Agency or, where appropriate, the term may also be used as a designation for the Administrator or other duly authorized official of said Agency.
- 1.03.22 **FOG:** Fats, Oils, Grease and related substances of similar characteristics.
- 1.03.23 **Flammable:** Shall be as defined in Subsection 5.02.08 and 09.
- 1.03.24 **Food Service Establishment:** A facility discharging kitchen or food preparation wastewaters such as restaurants, motel, hotels, cafeterias, delicatessen, meat cutting-preparation, bakeries, hospitals, schools, bars, or any other facility which in the District's discretion, may require a grease trap installation by virtue of its operation.
- 1.03.25 **General Manager:** The Chief Administrative Officer of MSD who is charged with administrative control of all operations of MSD and is responsible directly to the District Board. As used herein, it may also include any other MSD employee delegated to act for MSD by the General Manager or by the District Board.
- 1.03.26 **Grab Sample:** A sample which is taken from a Waste stream on a one-time basis and collected over a period of time not to exceed fifteen (15) minutes without regard to the flow in the Waste stream.
- 1.03.27 **Grease Interceptor:** A device utilized to effect the separation of grease and oils in wastewater effluent from a food service establishment. An interceptor is a vessel of the outdoor or underground type normally of the 1,000-gallon capacity or more, constructed of concrete, steel, or fiberglass.
- 1.03.28 **Grease Trap:** A device utilized to effect the separation of grease and oils in wastewater effluent from a food service establishment. A trap is an under-the-counter" or floor package unit, which is typically less that 100-gallons, constructed of steel or fiberglass.
- 1.03.29 **Holding Tank Waste:** Any waste from holding tanks, including by way of example but not limitation, vessels, chemical toilets, campers, trailers, septic tanks and vacuum-pump tank trucks.
- 1.03.30 **Indirect Discharge or Discharge:** The discharge or the introduction from any non-domestic source regulated under Section 307(b), (c), or (d) of the Act, (33 U.S.C. 1317), into the sewerage system (including holding tank waste discharged into the sewerage system).
- 1.03.31 **Industrial User:** Any user of the sewerage system who discharges industrial waste, as that term is defined in Subsection 1.03.32, into the sewerage system.

- 1.03.32 **Industrial Waste:** The liquid and waterborne pollutants resulting from processes or operations generated by industrial and commercial establishments.
- 1.03.33 **Infiltration:** The water entering sanitary sewers and building sewers from the soil through defective joints, broken or cracked pipe, improper connections, manhole walls or other defects in sanitary sewers as defined in Subsection 1.03.60 or building sewers as defined in Subsection 1.03.07. Infiltration does not include and is distinguished from Inflow.
- 1.03.34 **Inflow:** The water discharged into sanitary sewers and building sewers from such sources as down spouts, roof leaders, storm water drainage systems, cellar and yard area drains, foundation drains, commercial and industrial discharges of unpolluted wastewater as defined in Subsection 1.03.78, drains from springs and swampy areas, etc. it does not include and is distinguished from Infiltration.
- 1.03.35 **Interference:** The inhibition or disruption of the wastewater collection system, treatment processes, operations, or its sludge process, use or disposal which causes or contributes to a violation of any requirement of a POTW's NPDES Permit, Non-Discharge Permit or Collection System Permit, or prevents sewage sludge use or disposal in compliance with specified applicable State and Federal statutes, regulations, or permits. The term includes prevention of sewage sludge use or disposal by the POTW in accordance with Section 405 of the Act (33 U.S.C. 1345) or any criteria, guidelines or regulations developed pursuant to the Solid Waste Disposal Act (SWDA, 42 U.S.C. 6901 et seq.), the Clean Air Act, the Toxic Substances Control Act, the Marine Protection Research and Sanctuary Act (MPRSA) or more stringent state criteria (including those contained in any State sludge management plan prepared pursuant to Title IV of SWDA) applicable to the method of disposal or use employed by the POTW.
- 1.03.36 **Local Limit:** MSD's specific limits for appropriate pollutants of concern for pretreatment requirement as defined in Subsection 1.03.51.
- 1.03.37 **Medical Waste:** Isolation wastes, infectious agents, human blood and blood products, pathological wastes, sharps, body parts, contaminated bedding, surgical wastes, potentially contaminated laboratory wastes, dialysis wastes, and other wastes that may cause Interference or a health risk to personnel working in the sewerage system.
- 1.03.38 **National Categorical Pretreatment Standard, Categorical Pretreatment Standard or Pretreatment Standard:** Regulations containing pollutant discharge limits promulgated by EPA in accordance with Sections 307(b) and (c) of the Act (33 U.S.C. §1317) which apply to a specific category of industrial users, and which appears in 40 CFR Chapter 1, Subchapter N, Parts 405-471.
- 1.03.39 **National Pollutant Discharge Elimination System Permit or NPDES Permit:** A permit issued pursuant to Section 402 of the Act (33 U.S.C. §1342), or pursuant to N.C.G.S. 143-215.1 by the state under delegation from EPA.
- 1.03.40 **New Source:**
- A. Any building, structure, facility or installation from which there is or may be a discharge of pollutants, the construction of which commenced after the publication of proposed pretreatment standards under Section 307(c) of the Act which will be applicable to such source if such standards are thereafter promulgated in accordance with that section, provided that:
- (i) The building, structure, facility or installation is constructed at a site at which no other source is located; or
- (ii) The building, structure, facility or installation totally replaces the process or production equipment that causes the discharge of pollutants at an existing source; or

- (iii) The production or wastewater generating processes of the building, structure, facility, or installation are substantially independent of an existing source at the same site. In determining whether these are substantially independent, factors such as the extent to which the new facility is integrated with the existing plant, and the extent to which the new facility is engaged in the same general type of activity as the existing source should be considered.
- B. Construction on a site at which an existing source is located results in a modification rather than a new source if the construction does not create a new building, structure, facility or installation meeting the criteria of paragraphs (A)(ii) or (A)(iii) of this section, but otherwise alters, replaces, or adds to existing process or production equipment.
- C. Construction of a new source as defined under this paragraph has commenced if the owner or operator has:
- (i) Begun, or caused to begin as part of a continuous onsite construction program:
- a. Any placement, assembly, or installation of facilities or equipment; or
- b. Significant site preparation work including clearing, excavation, or removal of existing buildings, structures, or facilities which is necessary for the placement, assembly, or installation of new source facilities or equipment; or
- (ii) Entered into a binding contractual obligation for the purchase of facilities or equipment, which are intended to be used in its operation within a reasonable time. Options to purchase or contracts which can be terminated or modified without substantial loss, and contracts for feasibility, engineering, and design studies do not constitute a contractual obligation under this subsection.
- 1.03.41 **Non-contact cooling water:** Water used for cooling which does not come into direct contact with any raw material, intermediate product, waste product, or finished product.
- 1.03.42 **Non-Discharge Permit:** A permit issued by the State pursuant to G.S. 143-215.1(d) for a waste, which is not discharged directly to surface waters of the State, or for a wastewater treatment works, which does not discharge directly to surface waters of the State.
- 1.03.43 **Normal Waste:** A waste having average concentrations of 300 mg/L of BOD or less and 300 mg/L of Total Suspended Solids or less as determined by samples taken before entering the sewerage system.
- 1.03.44 **Pass Through:** A discharge which exits the POTW into waters of the State in quantities or concentrations which, alone or with discharges from other sources, causes a violation, including an increase in the magnitude or duration of a violation, of the POTW's NPDES Permit, collection system, or Non-Discharge Permit or a water quality standard.
- 1.03.45 **Person:** Any individual, partnership, firm, company, association, corporation, governmental entity, board, commission, or municipal corporation other than MSD.
- 1.03.46 **pH:** A measure of the acidity or alkalinity of a substance, expressed as standard units, and calculated as the logarithm (base 10) of the reciprocal of the concentration of hydrogen ions expressed in grams per liter of solution.
- 1.03.47 **Pollution:** The man-made or man-induced alteration of the chemical, physical, biological, or radiological integrity of water, land, or air.

- 1.03.48 **Pollutant:** Any "waste" as defined in N.C.G.S. 143-213 (18) and dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, munitions, medical wastes, chemical wastes, biological materials, radioactive materials, heat, wrecked or discarded equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural waste and certain characteristics of wastewater (e.g., pH, temperature, TSS, turbidity, color, metals, BOD, COD, toxicity, and odor).
- 1.03.49 **Pretreatment:** The reduction in the amounts of pollutants, the elimination of pollutants, the alteration of the nature of pollutants or the alteration of the nature of pollutant properties in wastewater to a less harmful state prior to discharging or otherwise introducing such pollutants into the sewerage system.
- 1.03.50 **Pretreatment Program:** The program for the control of pollutants introduced into the POTW from non-domestic sources developed by the MSD in compliance with 40 CFR 403.8 and approved by the Approval Authority as authorized by N.C.G.S. 143-215.3(a)(14) in accordance with 40 CFR 403.11.
- 1.03.51 **Pretreatment Requirement:** Any substantive or procedural requirement related to Pretreatment other than a Pretreatment Standard imposed on an Industrial User.
- 1.03.52 **Pretreatment Standard:** Prohibited discharge standards, Categorical Standards, or Local Limits, which applies to an Industrial User.
- 1.03.53 **Private Wastewater Disposal System:** Any facilities for wastewater treatment and disposal not maintained and operated by MSD.
- 1.03.54 **Process Waste:** Waste resulting from or as a result of any industrial process or operation.
- 1.03.55 **Properly Shredded Garbage:** The organic waste resulting from the preparation, cooking and dispensing of foods that have been shredded to such degree that all particles will be carried freely under flow conditions normally prevailing in Sanitary Sewers with no particle being greater than ½ inch in any dimension.
- 1.03.56 **Public Sewer:** A sewer, which is controlled by a governmental agency or entity or public utility.
- 1.03.57 **Publicly Owned Treatment Works (POTW) or Sewerage System:** A treatment works as defined by Section 212 of the Act, (33 U.S.C. §1292) which is owned, in this instance, by MSD. This definition includes any devices or systems used in the collection, storage, treatment, recycling, and reclamation of sewage. It also includes sewers, pipes, and other conveyances only if they convey wastewater to the POTW treatment plant. For the purposes of this Ordinance, "POTW" shall also include any sewers that convey wastewaters to the POTW from persons outside the MSD who are, by contract or agreement with the MSD, or in any other way, Users of the MSD's POTW.
- 1.03.58 **Receiving Stream:** That body of water, stream, or watercourse receiving the discharge from a Wastewater Treatment Plant or that body of water, stream, or watercourse formed by the effluent from a Wastewater Treatment Plant.
- 1.03.59 **Sanitary Sewage:** Sewage excluding process waste from industrial users and not exceeding the constituent levels established in Subsection 5.03.05(A).
- 1.03.60 **Sanitary Sewer:** A public sewer controlled by a governmental agency or entity including MSD that carries liquid and waterborne waste from residences, commercial buildings, industrial plants or institutions; together with minor quantities of ground and surface waters that are not intentionally admitted.
- 1.03.61 **Septage:** Liquid and solid waste pumped from a sanitary sewage septic tank or cesspool.

- 1.03.62 **Sewage:** A combination of water-carried waste from residences, commercial buildings, and Industrial Users.
- 1.03.63 **Sewer:** A pipe or conduit for carrying wastewater.
- 1.03.64 **Sewerage System:** All facilities for collecting, pumping, transporting, treating and disposing of wastewater.
- 1.03.65 **Significant Industrial User or SIU:** Any industrial user discharging to the sewerage system who:
- A. Discharges an average of 25,000 gallons per day or more of process wastewater to the POTW (excluding sanitary, con-contact cooling blowdown, and boiler blowdown wastewaters), or;
 - B. Contributes process wastewater which makes up five percent (5%) or more of the NPDES or Non-discharge permitted flow limit or organic capacity of the MSD Wastewater Treatment Plant. In this context, organic capacity refers to BOD, TSS and Ammonia or;
 - C. Is subject to Categorical Pretreatment Standards under 40 CFR 403.6 and 40 CFR chapter I, Subchapter N, Parts 405-471, or;
 - D. Is designated as such by MSD on the basis that the Industrial User has a reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standard or requirement, or for contributing to violations of the POTW's effluent limitations and conditions in its NPDES or non-discharge permit, or for limiting the POTW's sludge disposal options, or contributing to violations of the POTW's generated air emissions.
 - E. Subject to Division approval under 15A NCAC 02H .0907(b), MSD may determine that an Industrial User meeting the criteria in paragraphs (A) and (B) has no reasonable potential for adversely affecting the POTW's operation or for violating any Pretreatment Standards or requirement, or for contributing to violations of the POTW's effluent limitations and conditions in its NPDES or non-discharge permit or for limiting the POTW's sludge disposal options, and thus is not a Significant Industrial User.
 - F. Subject to Division approval under 15A NCAC 02H .0907(b), the Control Authority may determine that an Industrial User meeting the criteria in paragraph (C) above meets the requirements of 40 CFR Part 403.3(v)(2) and thus is a Non-Significant Categorical Industrial User.
 - G. Subject to Division approval under 15A NCAC 02H .0907(b), the Control Authority may determine that an Industrial User meeting the criteria in paragraph (C) above meets the requirements of 40 CFR Part 403.12(e)(3) and thus is a Middle Tier Significant Categorical Industrial User. Sampling and inspection requirements may be cut in half as per 40 CFR 403.8 (f)(2)(v)(C) and 403.12 (e)(3).
- 1.03.66 **Significant Noncompliance or SNC:** is the status of noncompliance of a Significant Industrial User when one or more of the following criteria are met. Additionally, any Industrial User which meets the criteria in paragraphs C., D., or H of this section shall also be SNC:
- A. Chronic violations of wastewater discharge limits are defined here as those in which sixty-six percent (66%) or more of measurements taken for the same pollutant parameter (not including flow) during a six month period exceed, by any magnitude, a numeric Pretreatment Standard or Requirement as defined by 40 CFR Part 403.3(l) or;

- B. Technical Review Criteria (TRC) violations are defined here as those in which thirty-three percent (33%) or more of measurements taken for the sample pollutant parameter during a six month period equal to or exceeding the product of the numeric Pretreatment Standard or Requirement as defined in 40 CFR Part 403.3(l) multiplied by the applicable TRC factor. (TRC factor for BOD, TSS, fats, oil and grease is 1.4. TRC factor for all other pollutants (except flow and pH is 1.2.) or;
- C. Any other violation of a Pretreatment Standard or Requirement as defined by 40 CFR Part 403.3(l) that MSD determines has caused, alone or in combination with other discharges, interference or pass through with wastewater treatment processes or Wastewater Treatment Plant performance or which endangers the health of MSD personnel or the public, or;
- D. Any discharge of a pollutant or wastewater that has caused imminent endangerment to human health or welfare or to the environment or has resulted in Emergency Enforcement Actions being initiated in accordance with provisions of Subsection 14.01.04, or;
- E. Violations of compliance schedule milestones contained in a pretreatment permit or enforcement order, for starting construction, completing construction, or attaining final compliance by ninety (90) days or more after the schedule date, or;
- F. Failure to provide reports for compliance schedules, self-monitoring data, baseline monitoring reports, ninety (90) day compliance reports or any other report which may be required under the Ordinance, Federal or State law or regulations, within thirty (45) days from the due date, or;
- G. Failure to accurately report noncompliance, or;
- H. Any other violation or group of violations that the Control Authority determines will adversely affect the operation or implementation of the MSD's pretreatment program.

- 1.03.67 **Slug Load or Discharge:** Any discharge at a flow rate or concentration which has a reasonable potential to cause interference or pass-through, or in any other way violates the POTW's regulations, local limits, Industrial User Permit conditions, adversely affects the operation of the sewerage system or the ability of the POTW to meet applicable water quality objectives. This can include, but is not limited to, spills and other accidental discharges; discharges of a non-routing, episodic nature; a non-customary batch discharge; or any other discharge that can cause a violation of the prohibited discharge standards in Section 5 of this Ordinance.
- 1.03.68 **Spill Control Response Plan:** A written procedure adopted by the User to address accidental spills or leaks of chemicals.
- 1.03.69 **Standard Industrial Classification SIC or North American Industry Classification System (NAICS):** A classification of an industry based on its product or service as defined in the Standard Industrial Classification Manual, Executive Office of the President, Office of Management and Budget, 1987 and 1997 respectively.
- 1.03.70 **Standard Methods:** The analytical procedures set forth in the latest edition of Standard Methods for the Examination of Water and Wastewater published by the American Public Health Association or "EPA Methods for Chemical Analysis of Water and Wastes." All procedures must conform to 40 CFR Part 136.
- 1.03.71 **State:** (The) State of North Carolina.
- 1.03.72 **Storm Drain:** A drainage system which carries storm and surface waters but which excludes sanitary sewage and polluted industrial wastewater.
- 1.03.73 **Storm Water:** Any flow occurring during or following any form of natural precipitation and resulting there from.

- 1.03.74 **Strength of Waste:** The concentration of pollutants or substances contained in a wastewater.
- 1.03.75 **Total Suspended Solids or TSS:** The total solid matter that either floats on the surface of or is suspended in wastewater and which is removable by laboratory filtration.
- 1.03.76 **Toxic Pollutant:** Any pollutant or combination of pollutants listed as toxic in Federal or State law or regulations promulgated by EPA or the State of North Carolina.
- 1.03.77 **Twenty-Five Percent Rule:** A compliance judgment for grease traps and grease interceptors. The accumulation of floatable FOG shall not exceed a depth equal to or greater than 25% of the total operating vessel depth.
- FOR EXAMPLE:** If the total operating depth (TD) of a grease interceptor is 40 inches, the maximum allowable depth (d) of floatable grease is calculated as $(d=TD \times 0.25 = 10 \text{ inches})$. Therefore, the maximum allowable depth of floatable grease in your vessel should not exceed ten (10) inches.
- 1.03.78 **Unpolluted Wastewater:** Any wastewater, which is substantially free of pollutants and is discharged from the following:
- A. Rain downspouts and drains, or;
 - B. Footing drains, or;
 - C. Storm Drains, or;
 - D. Cooling Water systems, or;
 - E. Aquifer restoration or well development activities.
- Unpolluted Wastewater shall contain, by definition, **none** of the following:
- A. BOD in excess of 10 mg/L, or;
 - B. Total Suspended Solids in excess of 10 mg/L, or;
 - C. Free or emulsified greases or oils, or;
 - D. Acids or alkalies, or;
 - E. Phenols or other substances imparting taste or odor to Receiving Stream, or;
 - F. Toxic or poisonous substances, or;
 - G. Noxious or odorous gases, or;
 - H. Temperature which exceeds 66°C (151°F) at its introduction into a sewer or which exceeds 40°C (104°F) at its introduction into a receiving stream.
 - I. Unpolluted wastewater shall also mean any wastewaters judged by DENR to be admissible to Watercourses under the jurisdiction of DENR and in accordance with the standards of water quality established by DENR for the particular watercourse into which such unpolluted wastewater is to be discharged.
- 1.03.79 **Upset of Pretreatment Facilities:** An exceptional incident in which there is an unintentional and temporary noncompliance with the effluent limitations of the user's permit because of factors beyond the reasonable control of the User. An upset does not include noncompliance caused by operational error, improper design or inadequate treatment facilities, lack of preventive maintenance, or careless or improper operations.
- 1.03.80 **User:** Any person or facility who discharges, causes or authorizes the discharge of wastewater into the sewerage system.
- 1.03.81 **Waste:** Any physical, chemical, biological, radioactive or thermal material which may be a solid, liquid or gas and which may be discarded from any industrial, municipal, agricultural, commercial or domestic activity.

- 1.03.82 **Wastewater:** Sewage.
- 1.03.83 **Wastewater Treatment Plant:** The facilities of the District for treating and disposing of wastewater.
- 1.03.84 **Watercourse:** A channel in which a flow of water occurs either continuously or intermittently.
- 1.03.85 **Waters of the State:** All streams, rivers, brooks, creeks, lakes, ponds, marshes, watercourses, waterways, reservoirs, wells, springs, reservoirs, aquifers, irrigation systems, drainage systems and all other bodies or accumulations of water, surface or underground, natural or artificial, public or private, which are contained within, flow through, or border upon the State or any portion thereof.

Section 1.04 Inclusion in Definitions

Definitions include both the singular and the plural and all pronouns include both the singular and the plural and cover all genders.

SECTION 2 USE OF PUBLIC SEWERS REQUIRED

Section 2.01 Discharge of Untreated Wastewater Prohibited

Within the boundaries of the District, it shall be unlawful for any person to discharge to any outlet, other than a sanitary sewer or approved septic system, any domestic or industrial waste except where suitable treatment has been provided in accordance with provisions of this Ordinance or where an appropriate NPDES Permit has been obtained.

Section 2.02 Use of Sanitary Sewers

The owner(s) of all houses, buildings or properties situated within the District and abutting on any street, alley or right-of-way in which there is now located or may in the future be located abutting said property a sanitary sewer of the District is hereby required at the owner(s)' expense to connect such facilities directly with the sanitary sewer in accordance with provisions of this Ordinance within ninety (90) days after being directed to do so by MSD provided that said sanitary sewer abuts the property; and the connection of such facilities is maintained in accordance with the provisions of this Ordinance. The owner is not required to connect such facilities directly with the sanitary sewer if:

- 2.02.01 The house, building or property in which the toilet or other facilities necessary for the discharge of Domestic or Industrial Waste is farther than 300 feet from the sanitary sewer, or;
- 2.02.02 Connection is technically unfeasible. Technical feasibility shall be determined by MSD, or;
- 2.02.03 An existing, properly functioning septic tank system located on the property is being used by the owner to properly treat waste. This exclusion shall not be available if, in order to obtain or keep valid Health Department approval, it becomes necessary to install a new septic tank or field or perform major repair to the existing tank or field in order to maintain a properly functioning system.

SECTION 3 PRIVATE WASTEWATER DISPOSAL

Section 3.01 Holding Tank Waste

Holding Tank Waste, Septage, and any other waste from Private Wastewater Disposal Systems within the District shall be discharged into the sewerage system only under the following conditions:

- 3.01.01 Persons owning or operating vacuum-pump trucks or trucks hauling septage or other liquid waste transport trucks shall not discharge wastewater directly or indirectly from such trucks into the sewerage system unless such persons shall first have applied for and received permits from MSD. All applicants for such permits shall complete such forms as required by MSD, pay appropriate fees and agree in writing to abide by the provisions of this Ordinance and any special conditions or regulations established by MSD. The owners or operators of such vehicles shall affix and display their permit numbers on the sides of vehicles used for such purposes. Such permits shall be valid for a period of five (5) years from date of issuance, provided that such permits shall be subject to revocation by MSD for violation of any provision of this Ordinance or reasonable regulation established by MSD. Such permits shall be limited to the discharge of sanitary sewage containing no waste from commercial grease traps or industrial waste. The General Manager shall designate the locations and times where such trucks may discharge, and may refuse to accept any truckload of waste in his absolute discretion where he determines that the waste could interfere with the effective operation of the sewerage system.
- 3.01.02 No person shall discharge any other holding tank waste or any other waste, including industrial waste, into the sewerage system unless he shall have applied for and has been issued a permit by MSD. Unless otherwise allowed under the terms and conditions of the permit, a separate permit must be secured for each separate discharge. The permit shall state the specific location of discharge, the time of day the discharge is to occur, the volume of the discharge, and shall limit the wastewater constituents and characteristics of the discharge. Such User shall pay any applicable charges or fees and shall comply with all conditions of the Permit issued by MSD. The discharge of hazardous waste, as defined in Section 1004 of RCRA as codified in 40 CFR Part 261, into a public sewer or to the headworks of a MSD Wastewater Treatment Plant by truck, rail or vessel is prohibited.
- 3.01.03 Notwithstanding any of the foregoing, no holding tank waste, septage or any other waste from outside the District shall be discharged directly or indirectly into the sewerage system from vacuum-pump, septage hauling trucks or other liquid waste transport trucks, provided, however, that the General Manager may, in his absolute discretion, permit the discharge of such waste by agreement and in accordance with Subsections 3.01.01 or 3.01.02.
- 3.01.04 No person shall operate a dumping station for the discharge of sanitary sewage from recreation vehicles into the sewerage system unless the User of the dumping station shall have first applied for and received a permit from MSD. All applicants for such permits shall complete such forms as required by MSD, pay appropriate fees and agree in writing to abide by the provisions of this Ordinance and any special conditions or regulations established by the District Board. These permits shall be issued only for approved facilities designed to receive sanitary sewage only.

Section 3.02 Additional Requirements

Nothing in this section shall be construed to free waste haulers from additional requirements that may be imposed by other municipal or state agencies.

SECTION 4 WASTEWATER DISCHARGE PERMITS

Section 4.01 Unauthorized Connections to Sewerage System

No person(s), shall uncover, make any type of connection with or opening into, use, alter, or disturb the sewerage system without first obtaining written approval from MSD.

Section 4.02 Permits to Discharge Industrial Waste for New Sources

Any person who proposes to originate the discharge of any industrial waste for the first time into the sewerage system or who proposes to make a significant change in the character or volume of any industrial waste theretofore discharged into the sewerage system:

- 4.02.01 Shall apply to MSD for a Permit to Discharge Industrial Waste on a form furnished by MSD a minimum of ninety (90) days prior to the proposed date to originate this discharge into the MSD Sewerage System. The application shall include at least the following information:
- A. Name, mailing address, and location address;
 - B. Standard Industrial Classification (SIC) codes or North American Industry Classification System (NAICS) for pretreatment, the industry as a whole, and any processes for which categorical pretreatment standards have been promulgated;
 - C. Types and concentrations (or mass) of pollutants contained in the discharge including but not limited to those mentioned in Section 5 of this Ordinance, any of the priority pollutants (Section 307(a) of the Act) which the applicant knows or suspects are present in the discharge, and any other pollutant of concern to the POTW; sampling and analysis shall be performed in accordance with procedures established by the EPA pursuant to Section 304(g) of the Act and contained in 40 CFR, Part 136, as amended and as required in Section 10.10;
 - D. Daily average and Daily Maximum wastewater flow rates, including daily, monthly and seasonal variations if any;
 - E. Site plans, floor plans, mechanical and plumbing plans and details to show all sewers, floor drains, sewer connections, direction of flow, appurtenances by the size, location and elevation, and locations of discharge points;
 - F. Description of activities, facilities and plant processes on the premises including all materials which are or could be accidentally or intentionally discharged;
 - G. Where known, the nature and concentration of any pollutants in the discharge which are limited by local, State, or Federal Pretreatment Standards, and a statement regarding whether or not the pretreatment standards are being met on a consistent basis and if not, whether additional operation and maintenance (O&M) and/or additional pretreatment is required for the User to meet applicable pretreatment standards;
 - H. If additional pretreatment and/or operation/maintenance will be required to meet the pretreatment standards, the shortest schedule by which the User will provide such additional pretreatment. The completion date in this schedule shall not be longer than the compliance date established for the applicable pretreatment standard. The following conditions apply to this schedule:
 - (i) The schedule shall contain progress increments in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the User to meet the applicable pretreatment standards. No increment in the schedule shall exceed nine (9) months.

(ii) No later than 14 days following each date in the schedule and the final date for compliance, the User shall submit a progress report to the General Manager including, at a minimum, whether or not it complied with the increment of progress, the reason for any delay, and if appropriate, the steps being taken by the User to return to the established schedule. In no event shall more than nine (9) months elapse between such progress reports to the General Manager.

- I. Each product produced by type, amount, process or processes and rate of production;
- J. Type and amount of raw materials processed (average and maximum per day);
- K. Number and type of employees, and hours of operation of plant and proposed or actual hours of operation of pretreatment system;
- L. If subject to a categorical standard, a baseline monitoring report in accordance with 40 CFR 403.12(b) and 15A NCAC 2H .0908(a), as outlined in Section 10.02 of this Ordinance.
- M. Description of current and projected waste reduction activities
- N. Any other information as may be deemed by the General Manager to be necessary to evaluate the permit application.

4.02.02 The application shall be signed by the current Authorized Representative as defined in Subsection 1.03.04, and shall contain the following statement:

"I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for violations."

4.02.03 **Application Review and Evaluation**

- A. The General Manager will evaluate the data furnished by the User and may require additional information.
- B. The General Manager is authorized to accept applications for MSD and shall refer all applications to pretreatment staff for review and evaluation.
- C. For Industries submitting an application for discharge wastewater for new sources, the General Manager or pretreatment staff shall, within thirty (30) days, acknowledge and accept the completed application, or if not completed, return the application with a request for the additional information necessary to evaluate the application.
- D. For Industries submitting an application for renewal of permit, the General Manager or pretreatment staff shall, within ninety (90) days, acknowledge and accept the completed application, or if not completed, return the application with a request for the additional information necessary to evaluate the application.

4.02.04 **Tentative Determination and Draft Permit**

- A. The General Manager or Pretreatment staff will review the application, conduct an on-site inspection of the significant industrial User, including any pretreatment facilities, and shall prepare a written evaluation and tentative determination to issue or deny the significant industrial User permit.

- B. If pretreatment staff decides to issue a permit, the permit shall include the following in writing
 - (i) proposed discharge limitations for pollutants proposed to be discharged;
 - (ii) a proposed schedule of compliance including interim dates and requirements for meeting the proposed limits; and
 - (iii) a brief description of any other proposed special conditions, which will have significant impact upon the discharge

4.02.05 **Permit Supporting Documentation**

The Pretreatment Staff shall prepare the following documents for all Significant Industrial User permits.

- A. An Allocation Table (AT) listing permit information for all Significant Industrial Users, including but not limited to permit limits, effective and expiration dates of the permit, and a comparison of total permitted flows and loads with Division approved maximum allowable loadings of the POTW, including flow, on forms or in a format provided by the Division. The AT shall be updated as permits are issued or renewed, and as permits are modified where the permitted limits or other AT information is revised.
- B. The basis, or rationale, for the pretreatment limitations, including the following:
 - (i) Documentation of categorical determination, including documentation of any calculations used in applying categorical pretreatment standards, and
 - (ii) Documentation of the rationale of any parameters for which monitoring has been waived under 40 CFR Part 43.12(e)(2).

4.02.06 **Final Action on Significant Industrial User Application**

- A. The General Manager shall take final action on all applications no later than 90 days following receipt of a complete application.
- B. The General Manager is authorized to:
 - (i) issue a Significant Industrial User permit containing such conditions as are necessary to effectuate the purposes of this Ordinance and N.C.G.S. 143-215.1;
 - (ii) issue a Significant Industrial User permit containing time schedules for achieving compliance with applicable pretreatment standards and requirements;
 - (iii) modify any permit upon not less than 60 days' notice and pursuant to Section 4.10 of this Ordinance;
 - (iv) revoke any permit pursuant to Subsection 14.01.05 of this Ordinance;
 - (v) suspend a permit pursuant to Subsection 14.01.05 of this Ordinance;
 - (vi) deny a permit application when in the opinion of the General Manager such discharge may cause or contribute to pass-through or interference of the wastewater treatment plant or where necessary to effectuate the purposes of G.S. 143-215.1.

4.02.07 Permit Conditions

- A. The General Manager shall have the authority to grant a permit with such conditions, as he believes necessary to achieve the purposes of this Ordinance and N. C. Gen. Stats. 143-215.1 Wastewater permits shall contain at least the following;
- i. a statement of duration (in no case more than five years);
 - ii. a statement of non-transferability;
 - iii. applicable effluent limits based on categorical standards or local limits or both;
 - iv. applicable monitoring, sampling, reporting, notification, and record keeping requirements. These requirements shall include an identification of pollutants to be monitored, sampling location, sampling frequency, and sample type.
 - v. requirements for notifying the POTW in the event of an accidental discharge or slug load pursuant to Section 6 and 7 of this Ordinance;
 - vi. requirements to implement a Plan or other controls for prevention of accidental discharges and/or slug loads if determined by the General Manager to be necessary for the User
 - vii. requirements for notifying MSD of any changes at the User's facility affecting the potential for spills and other accidental discharges, or slug load;
 - viii. a statement of applicable civil and/or criminal penalties for violation of pretreatment standards and requirements and any applicable compliance schedule.
- B. In addition, permits may contain, but are not limited to, the following:
- i. Limits on average and/or maximum wastewater constituents and characteristics. The General Manager may impose mass limitations on Users who are using dilution to meet applicable Pretreatment Standards or requirements or in other cases where the imposition of mass limitations is appropriate.
 - ii. Limits on average and/or maximum rates and time of discharge or requirements for flow regulation and equalization.
 - iii. Requirements for installation and maintenance of inspecting and sampling facilities.
 - iv. Compliance schedule (if applicable).
 - v. Requirements for submitting technical reports or discharge reports to MSD pursuant to Section 10 of this Ordinance.
 - vi. Requirements for maintaining and retaining plant records relating to wastewater discharge as specified by MSD and affording MSD access thereto.
 - vii. Requirements for notifying MSD of any new introduction of wastewater constituents or any significant change in the volume or character of the wastewater constituents being introduced into the sewerage system.
 - viii. Other conditions as deemed appropriate by MSD to ensure compliance with this Ordinance and applicable law and regulations.

The Industrial User shall not discharge into the sewerage system until a Permit to Discharge Industrial Waste has been issued by MSD.

Section 4.03 Significant Changes in Industrial Waste Discharge

A significant change in the character or volume of waste, for purposes of Section 4.02, shall be deemed if:

- 4.03.01 Substances, compounds and elements not previously constituting any part of a user's waste are to be introduced into such Waste, or;
- 4.03.02 increases in flow or pollutants(s), for which the permit had been issued, by twenty-five percent (25%) or more , or;
- 4.03.03 If the change in character or volume of the waste will change the user's classification from Industrial User to Significant Industrial User as defined in Subsection 1.03.65.

Section 4.04 Permits to Discharge Industrial Waste for Existing Industrial User

Any User, who is operating within the District and is classified as an Industrial User within the meaning of Subsection 1.03.31 may continue such discharge until notified by the General Manager in writing that a permit will be required and until an application has been submitted to and denied by the General Manager in accordance with the provisions of Section 4.02.03.

- 4.04.01 The General Manager shall issue written notices to existing industrial users specifying the time within which an existing industrial user shall file an Application for a Permit.
- 4.04.02 Within the time limit specified in Subsection 4.04.01, the existing industrial user shall file the required application, signed by the current Authorized Representative as specified in Subsection 1.03.04, together with any other information as described in Section 4.06. The Application shall contain the following statement:

"I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for violations." and;

Failure to file within the specified time shall constitute an unauthorized use of the sewerage system. The General Manager, within one hundred and eighty (180) days, must deny the required application or issue a draft of the proposed permit.

- 4.04.03 The existing industrial user shall have thirty (30) days in which to comment on the draft permit after which the permit will be issued or denied.
- 4.04.04 An existing industrial user may continue to discharge, only after complying with the requirement to file an Application for a Permit, unless and until receipt by the applicant of a written notice specifying the reasons for denial of a permit and specifying what remedial action, if any, must be taken to qualify the applicant for a permit. The denial of a permit may be appealed in accordance with Subsection 14.03.01 of this Ordinance
- 4.04.05 In the event that the applicant is denied a Permit or feels that the conditions of a Permit are unacceptable, the applicant shall have the right to contest the denial or the conditions of the Permit in accordance with the provisions of Section 14.03 of this Ordinance.

Section 4.05 Discharge Prohibited Where Permits Denied

In any case where a final determination has been made denying a permit, it shall be unlawful for any person so denied a permit to discharge industrial waste into the sewerage system.

Section 4.06 Conditions for Issuing or Renewing Permits

A Permit to Discharge Industrial Waste will be issued or renewed by MSD only when it has been determined that:

- 4.06.01 Sewer capacity is available at the proposed point of discharge for receiving the industrial waste, and;
- 4.06.02 The waste being discharged or proposed to be discharged is amenable to treatment by the processes employed in the District's Wastewater Treatment Plant(s) and will not impair the ability of MSD to comply with the water quality standards and effluent limitations established by the State or Federal regulatory agencies, and;
- 4.06.03 The waste being discharged or proposed to be discharged will not cause damage to the sewerage system or create a public nuisance or threaten public health and;
- 4.06.04 The concentrations of substances, compounds and elements in the waste being discharged or proposed to be discharged do not exceed the limits established by MSD or State or Federal authorities, and;
- 4.06.05 Where the wastewater contains or may contain any substances, compounds or elements controlled or limited by this Ordinance, an adequate program of self-monitoring of flow and wastewater characteristics will be established and maintained by the user affected by this Ordinance to assure that the discharge meets the requirements of this Ordinance and any permit conditions. The frequency and nature of the analyses shall be commensurate with the nature and volume of the waste discharged, and shall be as specified in the Permit to Discharge Industrial Waste.

Section 4.07 Permits for Industries Subject to National Categorical Pretreatment Standards

Any User subject to a newly promulgated National Categorical Pretreatment Standard shall reapply for a Permit to Discharge Industrial Waste within one hundred eighty (180) days after the effective date of the applicable National Categorical Pretreatment Standard. Permits to Discharge Industrial Waste of users subject to such standards shall be issued or reissued in compliance with such standards within the time frames prescribed by such standards.

Section 4.08 Permit Conditions and Duration

A Permit to Discharge Industrial Waste shall be issued as follows:

- 4.08.01 An Application for Permit to Discharge Industrial Waste and all reports or information submitted pursuant to the requirements of such permit must be signed and certified by an Authorized Representative of the User.
- 4.08.02 A Permit to Discharge Industrial Waste for an industrial user, not classified as a SIU in accordance with Subsection 1.03.65, shall remain in effect for a specified time period, not to exceed five (5) years.
- 4.08.03 A Permit to Discharge Industrial Waste for a SIU shall be issued for a specified time period, not to exceed five (5) years. The User shall apply for permit re-issuance a minimum of one hundred and eighty days (180) days prior to the expiration of the user's existing permit.
- 4.08.04 The terms and conditions of a permit may be modified by MSD during the term of the Permit. A User shall be informed of any modifications in his permit at least thirty (30) days prior to the effective date of change. Any changes or new conditions in the permit shall include a reasonable time schedule for compliance.

- 4.08.05 A Permit to Discharge Industrial Waste does not convey any property rights in either real or personal property, or any exclusive privileges, nor does it authorize any injury to private property or any invasion of personal rights, nor any infringement of Federal, State, or local laws or regulations.
- 4.08.06 The provisions of a Permit to Discharge Industrial Waste are severable and, if any provision of such permit or the application of any provision of such permit to any circumstance is held invalid, the application of such provision to other circumstances and the remainder of such permit shall not be affected thereby.

Section 4.09 Permit Transfers

A Permit to Discharge Industrial Waste is issued to a specified user for a specific operation. A permit shall not be reassigned or transferred or sold to a new owner, new user, different premises, or a new or changed operation without the written approval of MSD. Any User proposing to transfer a permit must apply to MSD, in writing, at least forty-five days prior to the effective date of the proposed transfer. The application must include the reason for the transfer and the name, address and contact information of the proposed transferee. If the proposed transfer is "Confidential Trade Secret," it shall be so marked on the application, and MSD shall keep the information confidential pending the transfer. MSD may ask any succeeding User to agree in writing to comply with the terms and conditions of the existing Permit. The written notification must include the following:

- 4.09.01 States that the new owner and/or operator have no immediate intent to change the facility's operations and processes;
- 4.09.02 Identifies the specific date on which the transfer is to occur; and
- 4.09.03 Acknowledges full responsibility for complying with the existing industrial wastewater discharge permit.

Failure to provide advance notice of a transfer, in accordance with this section, renders the industrial wastewater discharge permit void as of the date of facility transfer.

Section 4.10 Permit Modification

- 4.10.01 Modifications of Permits shall be subject to the same procedural requirements as the issuance of permits except as listed herein. Changes or new conditions in the permit shall include a reasonable time schedule for compliance. The following changes may be done administratively by the General Manager:
- A. Change in ownership of the discharge when no other change in the permit is indicated;
 - B. A single modification of any compliance schedule where the compliance schedule itself is not in excess of four months and
 - C. Modifications of compliance schedules (construction schedules) in permits for new sources where the new source will not begin to discharge until control facilities are operational.
- 4.10.02 Within (9) nine months of the promulgation of a National Categorical Pretreatment Standard, the Permit to Discharge Industrial Waste of such user shall be revised to require compliance with such standard within the time frame prescribed by such standard. Where a user, subject to a National Categorical Pretreatment Standard, has not previously submitted an application for wastewater discharge permit as required by Section 4.02 of this Ordinance, the user shall apply for a wastewater discharge permit within 180 days after the promulgation of the applicable National Categorical Pretreatment Standard.
- 4.10.03 A request for a permit modification by the permittee shall constitute a waiver of the 60 day notice required by N.C. Gen. Stats. 143-215.1(b).

SECTION 5 EXCLUDED WASTES

Section 5.01 General Prohibitions

The following general prohibitions apply to all users of the sewerage system:

- 5.01.01 All users shall take all reasonable steps to prevent any discharge in violation of the user's permit and this Ordinance. Pollutants, substances, wastewater, or other wastes prohibited by this Ordinance shall not be processed or stored in such a manner that they could be discharged to the sewerage system.
- 5.01.02 No user shall increase the use of potable or process water or in any other way attempt to dilute the discharge as a partial or complete substitute for adequate treatment to achieve compliance with the limitations contained in the user's permit.
- 5.01.03 No user shall contribute or cause to be contributed, directly or indirectly, any pollutant, or wastewater, which causes interference or pass through with the operation or performance of the sewerage system.
- 5.01.04 All users operating food service establishments may, in the discretion of the General Manager be required to provide fats, oils & grease (FOG) interceptors or traps for the proper handling of liquid waste containing FOG, or other harmful constituents. All interceptors or traps shall be of a type and capacity approved by MSD, and shall be located so as to be readily and easily accessible for cleaning and inspection. All interceptors or traps shall be supplied and properly maintained for continuous, satisfactory, and effective operation by the User at his expense.
- 5.01.05 The discharge of any hazardous material, listed in 40 CFR Part 261.
- 5.01.06 All users shall comply with the general prohibitive discharge standards in 40 CFR Part 403.5(A) and (B) of the Federal Pretreatment Regulations.

Section 5.02 Specific Prohibited Wastes

No user shall discharge or deposit any of the following materials, waste materials, waste gases, or liquids into any sanitary sewer forming a part of the MSD Sewerage System:

- 5.02.01 Any wastewater having a temperature which will inhibit biological activity in a Wastewater Treatment Plant or result in other Interference with the treatment process but in no case wastewater with a temperature which exceeds 66°C (150°F) at its introduction into a sanitary sewer or exceeding 40°C (104°F) at its introduction into a Wastewater Treatment Plant.
- 5.02.02 Visible floatable fats, oils, or grease of animal or vegetable origin in amounts that, in the discretion of the General Manager, may cause interference or pass-through.
- 5.02.03 Petroleum oil, cutting oil, or products of mineral origin in amounts that, in the discretion of the General Manager, may cause interference or pass-through.
- 5.02.04 Substances that will solidify or become viscous at temperatures between 0°C (32°F) and 60°C (140°F).
- 5.02.05 Any garbage that has not been properly shredded so that no solids are greater than one-half inch (½") in any dimension.

- 5.02.06 Any waste capable of causing abnormal corrosion, abnormal deterioration, damage to or hazard to structures or equipment of the sewerage system, or to humans or animals or interference with proper operation of the MSD Wastewater Treatment Plant. All waste discharged to the sewerage system must have a pH value in the range of 6 to 10.5 standard pH units. Prohibited materials include but are not limited to concentrated acids and alkalies and high concentrations of compounds of sulfur, chlorine, fluorine, and substances, which may react with water to form strongly acidic or basic products.
- 5.02.07 Any waste having a color, which is not removable by the existing wastewater treatment processes, and which would cause the plant effluent to exceed color requirements of the State of North Carolina for discharge to a receiving stream.
- 5.02.08 Pollutants which have the potential to create a fire or explosive hazard in the POTW, including, but not limited to wastestreams with a closed cup flashpoint of less than 140°F (60°C) using the test methods specified in 40 CFR 261.21.
- 5.02.09 Any liquids, solids or gases which by reason of their nature or quantity are or may be sufficient either alone or by interaction with other substances to cause fire or explosion or be injurious in any way to the sewerage system or to the operation of the sewerage system. At no time shall two successive readings (15 to 30 minutes between readings) on an explosion hazard meter at the point of discharge into the sewerage system be more than five percent (5%) nor any single reading over ten percent (10%) of the Lower Explosive Limit (L.E.L.) of the meter. Prohibited materials covered by this subsection include, but are not limited to, gasoline, diesel, kerosene, naphtha, benzene, fuel oil, motor oil, heating oil, mineral spirits, commercial solvents, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides and hydrides.
- 5.02.10 Any trucked or hauled pollutants, except at discharge point(s) designated by the General Manager in accordance with Section 3.0 of this Ordinance.
- 5.02.11 Any solid or viscous substances in quantity or character capable of causing obstruction to flow in sanitary sewers or interference with proper operation of a Wastewater Treatment Plant. Prohibited materials covered by this subsection include, but are not limited to, eggshells, ashes, cinders, ceramic waste, stone or marble dust, sand, mud, straw, metal shavings or sludge, grass clippings, glass, glass grinding or polishing wastes, fabric (woven and non-woven, rags, feathers, bones, tar, plastics, wood, paunch manure, insulation materials, stock or poultry feeds, processed grains, spent hops, animal tissues, hair, hides, or fleshings, entrails, whole blood, viscera or other fleshy particles from processing or packing plants, lime or similar sludges, residues from refining or processing of fuel or lubricating oils.
- 5.02.12 Any noxious or malodorous solids, liquids or gases which, either singly or by interaction with other waste, are capable of creating a public nuisance or hazard to life or are or may be sufficient to prevent entry into a sewer for maintenance and repair.
- 5.02.13 Any pollutants which result in the presence of toxic gases, vapors, or fumes within the sewerage system in a quantity that may cause worker health and safety problems.
- 5.02.14 Any substances which may cause Wastewater Treatment Plant effluent or any other products of the sewerage system such as residues, sludges or scums to be unsuitable for reclamation and reuse or to interfere with the reclamation process. In no case shall a substance discharged to the sewerage system cause the sewerage system to be in non-compliance with sludge use or disposal criteria, guidelines, ordinances or regulations developed by local, State or Federal authorities.
- 5.02.15 Any wastewater containing pollutants, including oxygen-demanding pollutants, (BOD, etc) in sufficient quantity, flow or concentration (either singly or by interaction with other pollutants) to cause Interference with the POTW.

- 5.02.16 Any substance which will cause the sewerage system to violate its NPDES Permit, Non-Discharge Permit, Collection System Permit, or water quality standards of the receiving stream.
- 5.02.17 Any waste which, by interaction with other waste in the sewerage system, may release obnoxious gases, form suspended solids, which interfere with operation of the sanitary sewers or create conditions deleterious to structures and wastewater treatment processes.
- 5.02.18 Any form of inflow as defined by Subsection 1.03.34 including storm water.
- 5.02.19 Infiltration as defined by Subsection 1.03.33 in excess of 300 gallons per inch of pipe diameter per mile of pipe per day.
- 5.02.20 Any unpolluted wastewater as defined in Subsection 1.03.78 except as specifically permitted by the General Manager.
- 5.02.21 Any toxic or poisonous substance or any other materials in sufficient quantity to interfere with the operation of the Wastewater Treatment Plant or to constitute a hazard to humans or animals, or to cause a violation of the water quality standards or effluent standards for the watercourse receiving the effluent from the MSD Wastewater Treatment Plant or to exceed limitations established by the General Manager or set forth in applicable Categorical Pretreatment Standards.
- 5.02.22 Any waste containing suspended solids of such character and quantity that unusual provisions, attention, or expense is required to handle such materials at the Wastewater Treatment Plant.
- 5.02.23 Any wastewater containing any radioactive wastes or isotopes except as specifically approved by the General Manager in compliance with applicable State or Federal regulations.
- 5.02.24 The admission, into the sewerage system of any waste in volumes or with constituents such that existing conditions in the sanitary sewers or at the Wastewater Treatment Plant would be affected to the detriment of the sewerage system, will be subject to review by the General Manager. Where necessary, in the discretion of the General Manager, Pretreatment or equalizing units may be required to bring constituents or volumes of flow within the limits previously prescribed or to an otherwise acceptable level and to hold or equalize flows so that no peak flow conditions may hamper the operation of any unit of the sewerage system. Said equalization or holding unit shall have a capacity suitable to serve its intended purpose and be equipped with acceptable outlet control facilities to provide flexibility in operation and accommodate changing conditions in the waste flow.

Section 5.03 Local Limits

No User shall discharge into any Sanitary Sewer forming part of the MSD Sewerage System any of the following materials in concentrations exceeding the limits stated below:

- 5.03.01 Any waste that contain more than ten (10) mg/L of hydrogen sulfide, sulfur dioxide, or nitrous oxide.
- 5.03.02 The admission into the sewerage system of any waste having a Biochemical Oxygen Demand (BOD) concentration in excess of three hundred (300) mg/L on a twenty-four hour composite basis or for any single grab sample having a BOD concentration in excess of thirteen hundred (1300) mg/L may be subject to review by the General Manager. Where necessary in the discretion of the General Manager, the user shall provide and operate, at his own expense, such pretreatment facilities as may be required to reduce the BOD to meet requirements specified by the General Manager.

- 5.03.03 The admission into the sewerage system of any waste having a Total Suspended Solids (TSS) concentration in excess of three hundred (300) mg/L on a twenty-four hour composite basis or for any single grab sample having a TSS concentration in excess of thirteen hundred (1300) mg/L may be subject to review by the General Manager. Where necessary, in the discretion of the General Manager, the User shall provide and operate, at his own expense, such pretreatment facilities as may be required to reduce the total suspended solids content to meet requirements specified by the General Manager.
- 5.03.04 The admission into the sewerage system of any waste having a Total Oil & Grease (combined polar and non-polar) content in excess of one hundred & twenty-five (125) mg/L. If the waste stream is of mineral hydrocarbons (non-polar) the content shall not exceed one hundred (100) mg/L unless otherwise prohibited by Subsection 5.02.03. If the waste stream is of biological lipids (polar) the content shall not exceed one hundred & fifty (150) mg/L. Where necessary, in the discretion of the General Manager, the User shall provide and operate, at his own expense, such pretreatment facilities as may be required to reduce the oil & grease (polar and non-polar) content to meet requirements specified by the General Manager.
- 5.03.05 No person shall discharge wastewater containing concentrations of the constituents listed below in excess of the upper limits listed below.
 - A. No person with a Permit to Discharge Industrial Waste shall discharge in excess of the following limits unless such discharge is specifically authorized in a duly issued Permit to Discharge Industrial Waste. If more stringent standards are established in a MSD Permit to Discharge Industrial Waste or have been promulgated by the State or EPA in applicable Categorical Pretreatment Standards, those standards shall supersede the following standards.

Fixed Upper Limits for Constituents (Milligrams per Liter, mg/l)

	<u>Maximum Instantaneous Concentration</u> (Grab Sample)*	<u>Maximum Daily Average</u> (Based on 24 Hour Composite Samples)*
Arsenic	2.0	1.00
Cadmium	1.2	0.69
Chromium, T	2.5	1.00
Copper	2.5	1.00
Lead	0.6	0.40
Mercury	0.2	0.10
Nickel	2.5	1.00
Silver	1.0	0.43
Tin	2.5	1.00
Zinc	2.5	1.00
Cyanide	1.9	-
Phenol	2.5	-

* Grab and Composite Samples are defined in Sections 1.03.26 and 1.03.12 of this Ordinance respectively.

- B. Unless specifically authorized by a Permit to Discharge Industrial Waste, no person shall discharge wastewater containing concentrations of the constituents listed in Subsection 5.03.05 in excess of levels currently established for sanitary sewage in the District. Such levels shall be established by the General Manager.

- 5.03.06 Upon the promulgation of Federal Categorical Pretreatment Standards, if more stringent than limitations imposed by this Ordinance, the new Federal Categorical Pretreatment Standards shall immediately supersede the limitations imposed under this Ordinance. All affected users shall notify the General Manager of the applicable reporting and monitoring requirements imposed by the new federal law within thirty (30) days of passage.
- 5.03.07 State requirements and limitations on discharges shall apply in any case where they are more stringent than federal requirements and limitations or those of this Ordinance.
- 5.03.08 The District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina reserves the right to establish more stringent limitations or requirements on discharges to the sewerage system.

Section 5.04 Standards and Requirements for Food Service Establishments

Food Service Establishments shall provide means of preventing grease and oil discharges to the sewerage system. Where a grease and oil interceptor currently exists or is required by the Metropolitan Sewerage District of Buncombe County (MSD); it shall be maintained for continuous, satisfactory, and effective operation by the owner, leaseholder, or operator at his expense.

- 5.04.01 All Food Service Establishments shall have grease-handling apparatuses of a type and capacity approved by MSD. These grease-handling apparatuses are to be properly maintained to prevent fats, oils or grease (FOG) from entering the sewerage system.
- 5.04.02 All Food Service Establishments grease-handling apparatuses shall be subject to evaluation, and inspection by MSD representatives during normal working hours. Any noncompliant issue(s) or recommendations for correction for improvement resulting from the inspection will be made available to the owner, or operator in writing.
- 5.04.03 Each facility will be issued a Grease Interceptor/Trap Maintenance Log upon initial inspection. This log shall be kept up-to-date and shall be available during each inspection.
- 5.04.04 Food Service Establishments whose operations cause or allow excessive FOG to discharged or accumulate in the MSD collection system may be liable to MSD for costs related to MSD service calls for line blockages, line cleanings, line and pump repairs, etc. including all labor, materials, and equipment. If the blockage results in a Sanitary Sewer Overflow (SSO) and MSD is penalized for the SSO, the penalty may be passed along to the Food Service Establishment.
- 5.04.05 Regularly scheduled maintenance of grease-handling apparatuses is required to insure adequate operation. In maintaining the grease interceptors and/or grease traps, the owner, leaseholder, or operator shall be responsible for the proper removal and disposal of grease by appropriate means and shall maintain an on-site record of dates, and means of disposal.
- 5.04.06 All grease traps and/or grease interceptors shall be cleaned based on the 25% Rule.
FOR EXAMPLE: *If the total depth (TD) of the GI is 40 inches, the maximum allowable depth (d) of floatable grease equals 40 inches multiplied by 0.25 or $d=TD \times 0.25 = 10$ inches. Therefore, the maximum allowable depth of floatable grease of the vessel should not exceed ten (10) inches.*
- 5.04.07 The exclusive use of enzymes, bacteria, grease solvents, emulsifiers, etc. is not considered acceptable grease trap maintenance practice.

- 5.04.08 Any Food Service Establishment whose effluent discharge to the sewerage system is determined by MSD to cause interference in the conveyance or operation of the sewerage system may be required to sample the grease interceptor and/or grease trap discharge and have it analyzed for FOG at the expense of the owner, leaseholder, or operator. Results of such analyses shall be reported to MSD.
- 5.04.09 All grease interceptors and/or grease traps shall be designed and installed to allow for complete access for inspection and maintenance of the inner chamber(s) and viewing and sampling of effluent wastewater discharged to the sewer. These chambers shall not be visually obscured with soil, mulch, floorings, or pavement of any substance.
- 5.04.10 Food Service Establishments shall adopt Best Management Practices (BMP's) for handling sources of floatable oils, fat or grease originating within their facility. A notice shall be permanently posted at a prominent place in the facility-advising employees of the BMP's procedures to be followed. MSD may render advice regarding the minimization of waste.
- 5.04.11 Food Services Establishments shall develop and implement a waste minimization plan pertaining to the disposal of grease, oils, and food particles. MSD may render advice or make suggestions regarding the minimization of waste.

Section 5.05 Construction Standards for New Food Service Establishments

- 5.05.01 New Food Service Establishments shall be required to install an "outdoor" grease interceptor, whose design and location must be approved in writing prior to installation by MSD.
- 5.05.01.01 Grease interceptors shall be adequately sized, with no interceptor less than 1,000 gallons total capacity unless otherwise approved by MSD.
- 5.05.01.02 The inlet chamber of the vessel will incorporate a PVC open sanitary-tee, which extends equal to or greater than 12 inches below the water surface. The outlet chamber of the vessel will incorporate a PVC open sanitary-tee that extends two-thirds below the water surface. The sanitary-tees (both inlet and outlet) will not be capped but opened for visual inspection of the waste stream.
- 5.05.01.03 All grease interceptors, whether singular or two tanks in series, must have each chamber directly accessible from the surface to provide means for servicing and maintaining the interceptor in working and operating condition.
- 5.05.01.04 The following shall discharge into the grease interceptor before entering the building drainage system:
- A. Pot and pan wash sinks
 - B. Pre-rinse sinks, including pre-rinse sinks to automatic dishwashers
 - C. Scullery
 - D. Kitchen floor drains
 - E. Automatic dishwasher
 - F. Meat preparation sink
- 5.05.01.05 Where food-waste grinders are installed, the waste from those units shall discharge directly into the building drainage system and not pass through grease interceptor.
- 5.05.01.06 The grease interceptor shall be installed at least fifteen (15) feet from the last drainage fixture, unless otherwise directed by MSD.
- 5.05.01.07 When the grease interceptor is installed in a parking lot, access ports to the interceptor shall be blocked off from parking or otherwise designated as a "No Park" area.

- 5.05.02 New Food Establishments where conditions prohibit the installation of an "outdoor" grease interceptor, may install an "indoor" grease trap, whose design and location must be approved in writing prior to installation by MSD.
- 5.05.02.01 Conditions for "outdoor" grease interceptors shall follow the same conditions as that of "indoor" grease interceptors with regard to section 5.04 of this ordinance.
- 5.05.02.02 The size of the grease trap shall be determined by the following formula: Grease Capacity of the grease trap shall be equal to or greater than double the Actual Drainage Load from the combined drainage fixtures connected to the grease trap. Whereas the Grease Capacity is expressed in "pounds" as stated for each grease trap model's detailed specifications. Whereas the following calculation determines the The Actual Drainage Load in "gallons".
- *Length X Width X Depth = Cubic Inches of an individual compartment sink connected to the grease trap. (Where there are multi-compartment sinks, the first compartment only is used in this calculation)*
 - *Cubic Inches (total from each fixture)/ 231 (1 gal = 231 cubic inches) = Gallon Capacity*
 - *Gallon Capacity X 0.75 (75% of Gallon Capacity) = Actual Drainage Load*
- Therefore, Actual Drainage Load X 2 = Grease Capacity of the Grease Trap required.*
- Fixtures and other potentially grease-containing drains connecting to the grease trap will be determined and approved by MSD in writing prior to installation.
- 5.05.02.03 The following shall discharge directly into the grease trap before entering the building drainage system:
- A. Pot and pan wash sinks
 - B. Pre-rinse sinks, including pre-rinse sinks to automatic dishwashers
 - C. Scullery
 - D. Meat preparation sink
- 5.05.02.04 Where automatic dishwashers are installed, the discharge from those units will discharge directly into the building drainage system and not into the grease trap.
- 5.05.02.05 All grease traps must be easily accessible for servicing and maintaining the trap in working and operating condition, and for inspecting.
- 5.05.03 New Food Service Establishments shall not be allowed to initiate operations until all grease-handling apparatuses are approved, installed, and inspected by MSD.
- 5.05.04 A basket, screen or other intercepting device shall be installed to prevent passage into the drainage system of solids ½ inch or larger in size. The basket or device shall be removable for cleaning purposes.
- 5.05.05 Factory-installed flow control fittings must be provided to the inlet side of all "under-the-counter" grease traps to prevent overloading of the grease trap and to allow for proper operation.

Section 5.06 Construction Standards for Existing Food Service Establishments

All existing Food Service Establishments shall have grease-handling apparatuses.

- 5.06.01 In the event an existing Food Service Establishment's grease-handling apparatuses are either under-designed or substandard in accordance with this Ordinance, the owner(s) will be notified in writing of the deficiencies and required improvements, and given a compliance schedule.

- 5.06.02 Existing Food Service Establishments without any grease-handling apparatuses must adhere to the conditions under section 5.05. Such facilities will be given a compliance schedule to submit the design and location of the grease-handling facilities and, after receiving the approval of MSD, the installation of the apparatus.

SECTION 6 PRETREATMENT

Section 6.01 Responsibility for Pretreatment

Each User shall provide wastewater treatment as necessary to comply with this Ordinance and wastewater permits issued under Section 4 of this Ordinance and shall achieve compliance with all National Categorical Pretreatment Standards, Local Limits, and the prohibitions set out in Section 5 of this Ordinance within time limitations as specified by EPA, the State, or the General Manager, whichever is more stringent. Any facilities necessary for compliance shall be provided, operated, and maintained at the user's expense.

Section 6.02 Authorization to Construct

Detailed plans showing the pretreatment facilities and operating procedures shall be submitted to the General Manager for review, and shall be approved by the General Manager before construction of the facility.

- 6.02.01 Any subsequent changes in the pretreatment facilities or method of operation shall be reported to and be approved by the General Manager prior to the User's initiation of the changes.
- 6.02.02 The review of such plans and operating procedures shall in no way relieve the User from the responsibility of modifying the facility as necessary to produce an effluent discharge acceptable to the General Manager under the provisions of this Ordinance.

Section 6.03 Maintenance of Pretreatment Facilities

If pretreatment or control of industrial wastewater is required, such pretreatment or control facilities shall be constructed, maintained in good working order and properly operated as efficiently as possible by the owner or User at his cost and expense, subject to the requirements of this Ordinance and all other applicable codes, ordinances, regulations and laws.

Section 6.04 Additional Pretreatment Measures

Whenever deemed necessary, the General Manager may require users to restrict their wastewater discharge during peak flow periods, designate that certain wastewater be discharged only into specific sewers, relocate and/or consolidate points of discharge, separate sewage waste streams from industrial waste streams, and such other conditions as may be necessary to protect the sewerage system and determine the user's compliance with the requirements of this Ordinance. Additionally:

- 6.04.01 The General Manager may require any person discharging into the sewerage system to install and maintain, on their property and at their expense, a suitable storage and flow-control facility to ensure equalization of flow. A wastewater discharge permit may be issued solely for flow equalization.
- 6.04.02 Grease, oil, and sand interceptors shall be provided when, in the discretion of the General Manager, they are necessary for the proper handling of wastewater containing excessive amounts of grease and oil, or sand; except that such interceptors shall not be required for residential users. All interceptors or traps shall be of type and capacity approved by the General Manager and shall be so located to be easily accessible for cleaning and inspection. Such interceptors shall be inspected, cleaned, and repaired regularly, as needed, by the user at their expense.
- 6.04.03 Users with the potential to discharge flammable substances may be required to install and maintain an approved combustible gas detection meter.

Section 6.05 Accidental Discharge/Slug Control Plan

To provide protection from Accidental Discharges as defined in Subsection 1.03.02:

- 6.05.01 Pollutants, substances, wastewater, or waste prohibited by this Ordinance shall not be stored in such a manner that they could be accidentally or arbitrarily discharged to the sewerage system.
- 6.05.02 The General Manager shall evaluate whether a Commercial and Industrial User shall provide a plan or other action to control or prevent accidental discharges and slug discharges of prohibited materials or other waste regulated by this Ordinance. All Significant Industrial Users must develop, submit for approval, and implement such a plan or other action within a year of being designated an SIU. Review and approval of such plans and operating procedures shall not relieve the User of the responsibility to modify his facility as necessary to meet the requirements of this Ordinance.
- 6.05.03 Facilities, to prevent accidental discharge of prohibited materials, shall be provided and maintained at the owner's or User's own cost and expense.
- 6.05.04 All SIUs are required to notify the General Manager immediately of any changes at its facility affecting the potential for spills and other accidental discharge, discharge of a non-routine episodic nature, a non-customary batch discharge, or a slug load.
- 6.05.05 An accidental discharge plan shall address, at a minimum, the following:
- A. Description of discharge practices, including non-routine batch discharges;
 - B. Description of stored chemicals;
 - C. The telephone numbers, personnel and agencies to be contacted during any accidental or slug discharge;
 - D. Procedures for immediately notifying the General Manager of any accidental or slug discharge, as required by Subsection 6.05.06 of this Ordinance; and
 - E. Procedures to prevent adverse impact from any accidental or slug discharge. Such procedures shall include, but not be limited to, inspection and maintenance of storage areas, handling and transfer of materials, loading and unloading operations, control of plant site runoff, worker training, building of containment structures or equipment, measures for containing toxic organic pollutants, including solvents, and/or measures and equipment for emergency response.
- 6.05.06 The User responsible for an accidental discharge shall immediately notify the General Manager in accordance with Section 10.08 so that any feasible corrective action may be taken to protect the sewerage system or to minimize adverse effects thereon.

SECTION 7 FLOW AND CONCENTRATION CONTROL

Section 7.01 Discharge of Slugs Prohibited

No User shall discharge into the MSD Sewerage System any waste or wastewater, which constitutes a slug as, defined in Subsection 1.03.67.

Section 7.02 Control of Discharge Rates

Any User now discharging or proposing to discharge waste, which may include slugs, may be required to provide facilities or adopt procedures for regulating, controlling or equalizing the concentrations of any constituents or the rate of waste discharge.

Section 7.03 Spill Control Response Plan/Slug Discharge Plan

At least once every three (3) years, MSD shall evaluate whether each Commercial or Industrial User needs a Spill Control Response Plan or a Slug Discharge Plan. MSD may require any User to develop, submit for approval, and implement such a plan. Each plan shall include, at least, a minimum of the items outlined in Subsection 6.05.05:

Section 7.04 Reporting of Spills/Slug Discharges

Spills and slug discharges shall be immediately reported to the General Manager in accordance with the requirements of Subsection 6.05.06 and Section 10.08 of this Ordinance.

SECTION 8 MEASUREMENT OF FLOW

Section 8.01 Determination of Wastewater Volumes

The volume or quantity of waste discharged by any User into the MSD Sewerage System shall be measured by one or more of the following methods:

- 8.01.01 If the volume of water used by any User in industrial or process operations is substantially the same as the volume secured from the municipal waterworks system, then the volume of water purchased shall be considered to be the volume of waste discharged.
- 8.01.02 If a substantial portion of the water secured from the municipal waterworks system is not used in a user's facility or is not returned to the sewerage system, the quantity of waste shall be determined by one or more of the following methods:
- A. By a flow meter(s) on the water supply line(s) to a process operation(s) or use, or;
 - B. By a flow meter(s) on the Waste line(s) from an operation(s), or;
 - C. If flow meters as required under Subsection 8.01.02(A) and 8.01.02(B) above shall not have been installed, the volume of water purchased shall be considered to be the volume of waste discharged unless MSD approves an alternate method of determining the amount of water not discharged to the sewerage system.
- 8.01.03 If any User, now discharging or proposing to discharge waste into the sewerage system does not secure the entire water supply from the municipal waterworks system, such User shall install and maintain a flow meter(s) on the waste line(s) from process operations or shall install such additional flow meters on the private water supply as required to permit determination of the total quantity discharged to the sewerage system from all sources under procedures comparable to Subsection 8.01.01 or 8.01.02 above.

Section 8.02 Provision, Calibration, and Certification of Flow Meters

If flow meter(s) are installed to fulfill requirements of Subsection 8.01.02 or 8.01.03 above:

- 8.02.01 Such flow meter(s) shall be installed at User's expense, and;
- A. The location of such flow meter(s) shall be approved by MSD prior to installation, and;
 - B. Such flow meter(s) are to be of the non-resettable style, and;
- 8.02.02 Such flow meter(s) shall be calibrated by the supplier at the time of installation and thereafter at the discretion of the General Manager, and;
- 8.02.03 Annual certification of calibration shall be provided to MSD within fifteen (15) days of each calibration for effluent Flow Meters, and;
- 8.02.04 The General Manager, at his discretion, may require calibration by an independent testing laboratory. If the meter is found to be in calibration, MSD will pay for testing service. However, if the meter is found to be out of calibration the User shall be required to pay for this.

Section 8.03 Identification of All Flows Required

All sources of water supply and all discharges of wastewater into the sewerage system must be identified in accordance with the provisions of Section 8.01. Any omissions shall be considered as unauthorized use of the MSD Sewerage System.

SECTION 9 MONITORING FACILITIES

Section 9.01 General Requirements for Monitoring Facilities

Any User who is discharging or proposes to discharge waste into the MSD Sewerage System may be required to provide, operate, and maintain at the User's expense monitoring facilities to allow inspection, sampling, and flow measurement of the building sewer and internal drainage systems. These monitoring facilities shall be as specified in the User's Permit to Discharge Waste. The monitoring facilities should normally be situated on the User's premises but MSD may, when such a location would be impractical or cause undue hardship on the User, allow the facilities to be constructed in a public street or sidewalk area and located so that they will not be obstructed.

Section 9.02 Maintenance of Monitoring Facilities

There shall be ample room in or near such monitoring facilities to allow accurate sampling and preparation of samples for analysis. The monitoring facilities shall be maintained at all times in a safe, accurate, and proper operating condition at the expense of the User.

Section 9.03 Continuous Recording and Sampling Equipment

When deemed necessary by the General Manager, continuous recording, and sampling equipment shall be installed and maintained.

Section 9.04 Construction Periods

Whether constructed on public or private property, the sampling and monitoring facilities shall be provided in accordance with MSD requirements and all applicable local construction standards and specifications. Construction of said facilities shall be completed within ninety (90) days following written notification by MSD. Additional construction time may be granted in the discretion of the General Manager.

Section 9.05 Additional Facilities for Present Users

The General Manager shall review monitoring facilities of present users and may require additional monitoring facilities as required for compliance with Sections 9.01, 9.02, and 9.03 above.

Section 9.06 Monitoring Facilities for New Users

New Users may be required to provide monitoring facilities as specified in their Permits to Discharge Waste prior to start up.

SECTION 10 INSPECTIONS, MONITORING REPORTING AND RECORDS

Section 10.01 Periodic Inspections and Sampling

The waste and other pollutants being discharged into the MSD Sewerage System by Users shall be subject to periodic inspection, sampling, records examination, and copying. Determinations of character and strengths of said waste may be made annually or more often as may be deemed necessary by the General Manager or his authorized representatives and as indicated in the User's Permit to Discharge Waste to ascertain whether the purposes of this Ordinance are being met, all requirements are being complied with and to determine strength of waste.

Section 10.02 Reporting Requirements for Applicable Categorical Standards

Pretreatment Standards as defined in Subsection 1.03.38 are as follows:

10.02.01 **Baseline Monitoring Reports**

Within either one hundred eighty (180) days after the effective date of a Categorical Pretreatment Standard, or the final administrative decision on a category determination under 40 CFR 403.6(a) (4), whichever is later, existing categorical users currently discharging to or scheduled to discharge to the POTW shall submit to the General Manager a report which contains the information listed in Subsection 10.02.02. At least ninety (90) days prior to commencement of their discharge, new sources, and sources that become categorical users subsequent to the promulgation of an applicable Categorical Standard, shall submit to the General Manager a report, which contains the information listed in Subsection 10.02.02. A new source shall report the method of pretreatment it intends to use to meet applicable categorical standards. A new source also shall give estimates of its anticipated flow and quantity of pollutants to be discharged.

10.02.01.01 Baseline Monitoring Reports shall include:

- A. The name and address of the facility, including the name of the operator and owner;
- B. A list of any environmental control permits held by or for the facility;
- C. A brief description of the nature, average rate of production, and Standard Industrial Classifications or North American Industry Classification System of the operation(s) carried out by a User. This description should include a schematic process diagram which indicates points of discharge to the sewerage system from the regulated processes;
- D. Information showing the measured average daily and maximum daily flow, in gallons per day, to the sewerage system from regulated process streams and other streams, as necessary, to allow use of the combined wastestream formula set out in 40 CFR 403.6(c);
- E. The Categorical Pretreatment Standards applicable to each regulated process;
- F. The results of sampling and analysis identifying the nature and concentration, and/or mass, where required by the standard or by the General Manager, of regulated Pollutants in the discharge from each regulated process. Instantaneous, daily maximum, and long-term average concentrations, or mass, where required, shall be reported. The sample shall be representative of daily operations and shall be analyzed in accordance with procedures set out in Section 10.10 of this Ordinance;
- G. Sampling must be performed in accordance with procedures set out in Section 10 of this Ordinance and 40 CFR 403.12(b) and (g), including 40CFR 403.12(g)(4);

- H. A certification statement, reviewed by the current User's Authorized Representative as defined in Subsection 1.03.04 and certified by a qualified professional, indicating whether pretreatment standards are being met on a consistent basis, and, if not, whether additional operation and maintenance (O&M) and/or additional pretreatment is required to meet the Pretreatment Standards and requirements;
- I. A Compliance Schedule, if additional pretreatment and/or operation (maintenance) will be required to meet the pretreatment standards, the shortest schedule by which the User will provide such additional pretreatment and/or operation (maintenance). The completion date in this schedule shall not be later than the compliance date established for the applicable pretreatment standard. A compliance schedule pursuant to this section must meet the requirements set out in Section 10.03 of this Ordinance; and
- J. All Baseline Monitoring Reports must be signed and certified by the current Authorized Representative of an Industrial User as defined in Subsection 1.03.04 of this Ordinance.

Section 10.03 Compliance Schedule Progress Reports

- 10.03.01 The schedule shall contain progress increments in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the User to meet the applicable pretreatment standards (such events include, but are not limited to, hiring an engineer, completing preliminary and final plans, executing contracts for major components, commencing and completing construction, and beginning and conducting routine operation).
- 10.03.02 No increment referred to above shall exceed nine (9) months;
- 10.03.03 The User shall submit a progress report to the General Manager no later than fourteen (14) days following each date in the schedule and the final date of compliance including, as a minimum, whether or not it complied with the increment of progress, the reason for any delay, and, if appropriate, the steps being taken by the User to return to the established schedule; and
- 10.03.04 In no event shall more than nine (9) months elapse between such progress reports to the General Manager.

Section 10.04 Reports on Compliance with Categorical Pretreatment Standards Deadline

Within ninety (90) days following the date for final compliance with applicable Categorical Pretreatment Standards, or in the case of a New Source following commencement of the introduction of Wastewater into the POTW, any User subject to such Pretreatment Standards and requirements shall submit to the General Manager a report containing the information described in Subsection 10.02.02 of this Ordinance. For Users subject to equivalent mass or concentration limits established in accordance with the procedures in 40 CFR 403.6(c), this report shall contain a reasonable measure of the User's long-term production rate. For all other Users subject to Categorical Pretreatment Standards expressed in terms of allowable pollutant discharge per unit of production (or other measure of operation), this report shall include the User's actual production during the appropriate sampling period. All compliance reports must be signed and certified in accordance with Subsection 1.03.04 of this Ordinance.

Section 10.05 Reports from Non-Significant Categorical Industrial Users

All Users classified as Non-Significant Categorical Industrial Users under Section 1.03.65 F. shall provide appropriate reports to the General Manager as the General Manager may require. At a minimum this shall include the annual Statement of Certification of continuing to meet the Non-Significant Categorical Industrial User criteria as required under 40 CFR 403.12(q).

Section 10.06 Periodic Compliance Reports for Significant Industrial Users

- 10.06.01 Significant Industrial Users shall, at a frequency determined by the General Manager, but in no case less than once every six (6) months, submit a report indicating the nature and concentration of Pollutants in the discharge, which are limited by Pretreatment Standards, and applicable daily flows for the reporting period. Sampling and analysis must be performed in accordance with procedures set out in Section 10.10. All periodic compliance reports must be signed and certified in accordance with Subsection 1.03.04 of this Ordinance;
- A. The General Manager may develop procedures for receipt of electronic reports for any reporting requirements of this Ordinance based on such procedures which will comply with 40 CFR Part 3. These procedures shall be enforceable under Section 14 of this Ordinance.
- 10.06.02 Wastewater monitoring and flow measurement facilities shall be properly operated, kept clean, and maintained in good working order at all times. The failure of a User to keep its monitoring facility in good working order shall not be grounds for the User to claim that sample results are unrepresentative of its discharge; and
- 10.06.03 If a User subject to the reporting requirement in this section monitors any Pollutant more frequently than required by the General Manager or any Pollutant not designated by their permit, using the procedures prescribed in Section 10.10 of this Ordinance, the results of this monitoring shall be included in the report.

Section 10.07 Reports of Changed Conditions

In accordance with the requirements of Section 4.03 and Subsection 10.08.04 of this Ordinance, each User must notify the General Manager of any planned significant changes to the User's operation or system, which might alter the nature, quality, or volume of its Wastewater at least ninety (90) days before the change. The permittee shall not begin the changes until receiving written approval from MSD.

- 10.07.01 The General Manager may require the User to submit such information as may be deemed necessary to evaluate the changed condition, including the submission of a wastewater discharge permit application under section 4.02 of this ordinance.
- 10.07.02 The General Manager may issue a Wastewater Discharge Permit or modify an existing Wastewater Discharge Permit under section 4.02 of this ordinance in response to changed conditions or anticipated conditions.
- 10.07.03 For purposes of this requirement, significant changes, as defined in Section 4.03 of this ordinance, include, but are not limited to, flow or pollutant increases and the discharge of any previously unreported pollutants.

Section 10.08 Reports of Potential Problems

- 10.08.01 In the case of any discharge, including, but not limited to, Accidental Discharge as defined in Subsection 1.03.02, discharge of a non-routine, episodic nature, a non-customary batch discharge, a Slug load as defined in Subsection 1.03.67, a discharge of any prohibited wastes as defined in Section 5.02 that may cause potential problems for the POTW, the User shall immediately telephone and notify the General Manager of the incident. This notification shall include the location of the discharge, type of Waste, concentration and volume, if known, and corrective actions taken by the User;
- 10.08.02 Within five (5) days following such discharge, the User shall, unless the requirement is waived by the General Manager, submit a detailed written report describing the cause(s) of the discharge and the measures to be taken by the User to prevent similar future occurrences. Such notification shall not relieve the User of any expense, loss, damage, or other liability which may be incurred as a result of damage to the POTW,

natural resources, or any other damage to other person or property; nor shall such notification relieve the User of any fines, penalties, or other liability which may be imposed pursuant to this Ordinance;

- 10.08.03 A notice shall be permanently posted on the User's bulletin board or other prominent place advising employees whom to call in the event of a discharge described in Subsection 10.08.01, above. Users shall ensure that all employees, who may cause such a discharge to occur, are advised of the emergency notification procedure.
- 10.08.04 All SIUs are required to notify the General Manager immediately of any changes at the facility affecting the potential for spills and other accidental discharge, as defined in Subsection 1.03.02.

Section 10.09 Notice of Violation/Repeat Sampling and Reporting

- 10.09.01 If sampling performed by a User indicates a violation, the User must notify the General Manager within twenty-four (24) hours of becoming aware of the violation. The User shall also repeat the sampling and analysis and submit the results of the repeat analysis to the General Manager within thirty (30) days after becoming aware of the violation. The User is not required to resample if:
- A. the General Manager or his designee conducts monitoring at the user's facility at least once a month; or
 - B. the General Manager or his designee samples between the users' initial sampling and when the User receives the results of this sampling.
- 10.09.02 If the General Manager has performed the sampling and analysis in lieu of the industrial user and the POTW sampling of the User indicates a violation, the industrial user shall repeat the sampling and obtain the results of the repeat analysis within thirty (30) days after becoming aware of the violations, unless one of the following occurs:
- A. The General Manager or his designee conducts monitoring at the user's facility at least once a month; or
 - B. The General Manager or his designee samples the User between their initial sampling and when the POTW receives the results of this initial sampling; or
 - C. The General Manager or his designee requires the User to perform sampling and submit the results to the General Manager within the 30 day deadline of the POTW becoming aware of the violation.

Section 10.10 Sampling, Analyses and Reporting for All Users

Samples shall be collected manually or mechanically over such periods of time and composited in such a manner as to be representative of the waste being discharged in accordance with requirements specified in the User's Permit to Discharge Waste. All pollutant analyses, including sampling techniques, to be submitted as part of the wastewater discharge permit application or report shall be performed by a laboratory certified by the state to perform the wastewater analyses in accordance with the techniques prescribed in 40 CFR Part 136, unless otherwise specified in an applicable categorical pretreatment standard or unless otherwise performed in accordance with procedures approved by EPA or MSD. If 40 CFR Part 136 does not contain sampling or analytical techniques for the pollutant in question, sampling and analyses must be performed in accordance approved by EPA and MSD.

10.10.01 Grab and Composite Sample Collection

- A. All wastewater samples must be representative of the user's discharge. Wastewater monitoring and flow measurement facilities shall be properly operated, kept clean, and maintained in good working order at all times. The failure of a User to keep its monitoring facility in good working order shall not be grounds for the user to claim that sample results are unrepresentative of its discharge.
- B. Grab Samples must be used for pH, cyanide, total phenols, oil and grease, sulfide, volatile organic compounds, and any other pollutants as required by 40 CFR 136. The General Manager shall determine the number of grabs necessary to be representative of the User's discharge. See 40 CFR 403.12(g) (5) for additional grab sample number requirements for BMR and 90 Day Compliance Reports. Additionally, the General Manager may allow collection of multiple grabs during a 24 hour period which are composited prior to analysis as allowed under 40 CFR 136.
- C. **Composite Samples:** All wastewater composite samples shall be collected in accordance with Subsection 1.03.12. All wastewater composite samples shall be collected using flow proportional composite collection techniques, unless time-proportional composite sampling or grab sampling is authorized by the General Manager. When authorizing time-proportional composites or grabs, the samples must be representative and the decision to allow the alternative sampling must be documented.

10.10.02 Splitting of Samples

When requested by the Industrial User, samples collected by MSD will be split with the Industrial User for verification of analytical results. Valid results from an Industrial User's split must be averaged with MSD's results and the average used for limit compliance judgment. However, determination of the character, strength or quantity of the Waste as made by the General Manager or his authorized representatives, shall be conclusive for the computation of sewer charges.

10.10.03 Date of Submittal

Written reports received via the United States Postal Service will be deemed to have been submitted on the date postmarked. For reports not submitted via the United States Postal Service, (e.g. courier service, electronic mail, facsimile) the date of receipt shall be the submittal date.

10.10.04 Record Keeping

Users subject to the reporting requirements of this Ordinance shall retain, and make available for inspection and copying, all records of information obtained pursuant to any monitoring activities required by this Ordinance and any additional records of information obtained pursuant to monitoring activities undertaken by the User independent of such requirements. Records shall include the date, exact place, method, and time of sampling, and the name of the person(s) taking the samples; the dates analyses were performed; who performed the analyses; the analytical techniques or methods used; and the results of such analyses. These records shall remain available for a period of at least three (3) years. This period shall be automatically extended for the duration of any litigation concerning the User or MSD, or where the User has been specifically notified of a longer retention period by the General Manager.

Section 10.11 Notification of Discharge of Hazardous Material

- 10.11.01 Subsection 5.01.05 of this Ordinance prohibits the discharge of hazardous material. Any User who may accidentally discharge hazardous material shall immediately notify the General Manager, the EPA Regional Waste Management Division Director, and the State Division of Solid Waste Management.

- 10.11.02 The use of any new hazardous materials or hazardous Waste in a User's facility must be immediately reported to the General Manager, the EPA Regional Waste Management Division Director, and the State Division of Solid Waste Management.

- 10.11.03 In the case of any notification made under this section, the User shall certify that it has a program in place to prevent the discharge of a toxic or hazardous material.

SECTION 11 AUTHORITY FOR INSPECTION

Section 11.01 Right of Entry

MSD shall be permitted to enter upon the property of the User for the purpose of inspection, observation, flow measurement, sampling, and testing of industrial waste and other pollutants in accordance with this Ordinance.

Section 11.02 Ready Access

Any User shall allow MSD or their representative immediate access to all points on their premises for the purposes of inspection, sampling, records examination, or for the performance of any MSD related duties.

Section 11.03 Monitoring Access

MSD, the Approval Authority, and EPA shall have the right to set up on the User's property such devices as are necessary to conduct sampling, inspection, compliance monitoring, and flow metering operations.

Section 11.04 Security Arrangements

Where a User has security measures in force which would require proper identification and clearance before entry onto the user's premises, the User shall make necessary arrangements with the User's security guards so that upon presentation of suitable identification, personnel from MSD, the Approval Authority and EPA will be permitted to enter without delay for the purposes of performing their specific responsibilities. Unreasonable delays may constitute denial of access.

Section 11.05 Search Warrants

If the MSD, the Approval Authority, or EPA has been refused access to a building, structure, or property, or any part thereof, and is able to demonstrate probable cause to believe that there may be a violation of this Ordinance, or that there is a need to inspect or sample as part of a routine inspection and sampling program of MSD designed to verify compliance with this Ordinance or any permit or order issued hereunder, or to protect the overall public health, safety and welfare of the community, then MSD or EPA may seek issuance of a search warrant from a court of competent jurisdiction.

SECTION 12 CONFIDENTIAL INFORMATION

Section 12.01 Confidential Information

Information and data on a User obtained from reports, questionnaires, permit applications, permits and monitoring programs and from inspections shall be available to the public or other governmental agencies without restriction unless the User specifically requests and is able to demonstrate to the satisfaction of the General Manager that the release of such information would divulge information, processes or methods of production entitled to protection as trade secrets of the User. Such request must be asserted, in writing, at the time of the submission of the information or data.

When requested by the person furnishing a report, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available upon written request to governmental agencies for uses related to this Ordinance, the National Pollutant Discharge Elimination System (NPDES) Permit Non-discharge permit and/or the pretreatment programs; provided, however, that such portions of a report shall be available for the use by the State or any state agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics will not be recognized as confidential information.

All records relating to compliance with pretreatment standards shall be made available to officials of the Approval Authority and EPA upon request.

SECTION 13 PROTECTION OF EQUIPMENT

Section 13.01 Protection of Equipment

No person shall maliciously, willfully or negligently break, damage, destroy, deface, tamper with or remove any equipment or materials which are a part of the MSD Sewerage System or which are used by MSD for the purposes of making waste examinations and waste flow measurements or monitoring. Only persons authorized by the General Manager will be allowed to uncover, adjust, maintain, and remove such equipment and materials.

SECTION 14 ENFORCEMENT, PENALTIES AND COSTS

Section 14.01 Enforcement Action

Any User, who violates any provision of this Ordinance, a condition of a permit, or applicable State or Federal laws or regulations, may be subject to enforcement action by the General Manager of MSD as follows:

14.01.01 **Notice of Violation**

Whenever the General Manager determines that a User has violated or is violating this Ordinance, a Permit, or any prohibition, limitation or requirement contained in this Ordinance, a Permit or any other Pretreatment Requirement, the General Manager may serve upon the User a written Notice of Violation which shall be addressed to the Authorized Representative of the User and shall set forth the date and the nature of the violation. Within thirty (30) days of the date of the Notice of Violation, the User shall submit a written account of the reason for the violation and a plan for the satisfactory correction thereof to the General Manager, and shall schedule a meeting with the General Manager or his designee. Submission of the plan does not relieve the User from liability for any violations occurring either before or after receipt of the Notice of Violation.

14.01.02 **Show Cause Hearing**

The General Manager may order any User who causes or is responsible for an unauthorized discharge, has violated this Ordinance or is in noncompliance with a wastewater discharge permit to show cause why a proposed enforcement action should not be taken. In the event the General Manager determines the Show Cause order should be issued, a notice shall be served on the User specifying the time and place for the hearing, the proposed enforcement action, the reason(s) for such action, and a request that the User show cause why the proposed enforcement action should not be taken. The notice of the hearing shall be served personally or by registered or certified mail at least ten days before the hearing. Service may be made on any agent or officer of a corporation. The General Manager shall review the evidence presented at the hearing and determine whether the proposed enforcement action is appropriate. A Show Cause hearing under this section is not a prerequisite to the assessment of a civil penalty under this Ordinance, nor is any action or inaction taken by the General Manager under this section subject to -an administrative appeal.

14.01.02 **Consent Agreements**

The General Manager is authorized to enter into consent agreements or other similar documents establishing agreements with Users not in compliance. Such agreements or documents will include specific actions to be taken by a User to correct noncompliance within a specific time period and may be titled "Consent Order" or "Consent Agreement". Similar documents shall have the same force and effect as Consent Orders and Administrative Orders issued pursuant to Subsection 14.01.03 of this Ordinance.

14.01.03 **Administrative Order**

If the General Manager finds that a User has violated or continues to violate this Ordinance, a Permit, or other applicable State or Federal law or regulation, the General Manager may issue an Administrative Order to Cease and Desist all such violations and direct the User to do any or all of the following:

- A. Immediately comply with all Pretreatment Requirements
- B. Comply with all Pretreatment Requirements in accordance with a time schedule set forth in the Administrative Order.

- C. Take appropriate action to prevent a continuing or threatened violation.
- D. Disconnect the User's connection to the sewerage system unless the User's discharge can be adequately treated to bring it into compliance.

14.01.04 **Emergency Suspension**

- A. The General Manager may revoke a User's Permit or right to discharge to the Sewerage System if, in the discretion of the General Manager, such a revocation or suspension is necessary in order to stop an actual or threatened discharge which presents or may present an imminent or substantial endangerment to the public health and welfare or to the environment, or which interferes or may interfere with the operation of the POTW or which causes or may cause the POTW to violate any condition of its NPDES Permit, Non-Discharge Permit, or its permit to incinerate or chemically stabilize sludge for land application.
- B. A notice of suspension shall be sent to an Authorized Representative of the User by certified and regular mail or may be hand delivered to the User's facility. A User so notified shall immediately stop or eliminate the discharge. Within fifteen (15) days of the notice of suspension or revocation, a hearing will be held to determine whether the suspension may be lifted or the Permit terminated. The hearing will be conducted by a Hearing Officer or Officers appointed by the District Board. At the hearing the General Manager, or his designee, shall present evidence as to the Revocation of the User's Permit or right to discharge to the Sewerage System. The User may present evidence showing why the revocation or suspension should not be upheld. Both the User and the General Manager have the right to be represented by counsel and the right to cross-examine witnesses testifying for the opposing party. The Hearing Officer(s) is authorized to require testimony under oath or affirmation. The Hearing Officer(s) may require the General Manager and the User to present a written summary of the evidence to be presented at the hearing and may limit the hearing to the specific issues surrounding the revocation or suspension. The Hearing Officer may continue the hearing from day to day as necessary to complete the hearing.
- C. Within fifteen (15) days of the hearing, the Hearing Officer(s) shall make a determination as to whether or not the revocation of the Permit or suspension of User's right to discharge to the District Sewerage System shall be upheld. The Hearing Officer's Decision shall be transmitted in writing to the User, the General Manager and to the District Board of the Metropolitan Sewerage District. The Hearing Officer's Decision may be appealed to the District Board of the Metropolitan Sewerage District. The appeal must be in writing, must be made within fifteen (15) days of the date of the Hearing Officer's Decision, and must state specifically what exceptions are taken to the Hearing Officers Decision. The appeal to the District Board shall be conducted in accordance with the procedures in Subsection 14.03.05.
- D. If a User fails to comply voluntarily with a Suspension Order or Revocation of Permit, the General Manager shall take such steps as, in his discretion, are necessary to prevent or minimize damage to the POTW or endangerment to any individuals. Such steps may include immediate severance of the User's connection to the Sewerage System and injunctive relief in the General Court of Justice.
- E. The General Manager may reissue a Permit to Discharge Industrial Waste and allow re-connection to the Sewerage System upon satisfactory proof of the elimination of the non-compliant discharge. The General Manager may require sampling and analysis of the discharge prior to any re-issuance or any re-connection. The User shall submit a detailed written statement describing the causes of the non-compliant discharge and the measures taken to prevent any future occurrence.

14.01.05 Termination of Permits or Permission to Discharge

The General Manager may revoke a wastewater discharge permit or permission to discharge for good cause, which may include, but shall not be limited to, the following:

- A. Failure to accurately monitor and report the wastewater constituents and characteristics of the discharge;
- B. Failure to report significant changes in operations, or wastewater constituents and characteristics;
- C. Refusal of reasonable access to the Users premises for the purpose of inspection or monitoring; or
- D. Violation of conditions of the Permit or permission to discharge, conditions of this Ordinance, or any applicable State and Federal regulations.

Users whose permits are subject to revocation under this section will be notified of the proposed termination and may be offered an opportunity to show cause why the proposed action should not be taken.

Section 14.02 Civil Penalties

14.02.01 Any User who is in violation of any provision of this Ordinance, a Consent Agreement, Administrative Order, a Rule, Regulation, Law or Permit condition may be assessed a civil penalty of up to Twenty-five Thousand Dollars (\$25,000.00) per day per violation, provided in accordance with the requirements of N. C. Gen. Stats. 143-215.6A.

14.02.02 Each day the violation continues may be considered a separate violation.

14.02.03 In determining the amount of a Civil Penalty, the General Manager may consider the following:

- A. The degree and extent of the harm done to the natural resources of the State, to the public health, or to public or private property as a result of the violation;
- B. The duration and severity of the violation;
- C. The effect on ground or surface water quality, or on air quality;
- D. The cost of repairing the damage to the sewerage system, to property and to the natural resources of the State;
- E. The amount of money saved, if any, by noncompliance, including the cost of continuing to discharge in noncompliance instead of stopping operations;
- F. Whether the violation was committed negligently, grossly negligently, recklessly negligently, willfully, or intentionally;
- G. The prior record of the User in complying or failing to comply with the conditions of its permit, this Ordinance, or other environmental laws and regulations, with respect to the Metropolitan Sewerage District, other parts of North Carolina or other states in the United States;
- H. The cost to the POTW, including attorney's fees, sampling costs, cost of additional laboratory analysis, cost of engineering and consulting fees necessary, in the discretion of the District, to determine the nature and extent of damage, prevent further damage and repair any damage.

14.02.04 Notice of Civil Penalty

An assessment of Civil Penalty ("the Civil Penalty Assessment") shall be made by written notice from the General Manager to the Authorized Representative of the User. The notice shall be sent by certified and regular mail to the address of the User's facility.

Section 14.03 Adjudicatory Hearings**14.03.01 Request for Hearing**

A User whose Permit has been terminated pursuant to this Ordinance, an Applicant for Permit whose application has been denied or whose Permit has been issued with conditions the User deems unacceptable, or a User who has been assessed a Civil Penalty or issued an Administrative Order shall have the right to an adjudicatory hearing before a Hearing Officer(s) appointed by the Chairman of the District Board of the Metropolitan Sewerage District. For modified permits, only those parts of the permit being modified may be adjudicated. A request for hearing must be made in writing to the General Manager within thirty (30) days of the date of the Civil Penalty, Administrative Order, or denial or issuance of the Permit and must identify specific issues to be considered at the hearing. Unless such written demand is made within the time specified herein, the District action shall be final and binding and further appeal is barred. Within thirty (30) days of the receipt of a Request for Hearing, The Hearing Officer(s) will schedule a hearing and issue a Notice of Hearing to the General Manager and to the User; unless the User and the General Manager mutually agree that the hearing may be held at a later date. Upon timely filing of an appeal, including an appeal from a decision of the District Board to the Superior Court of the General Court of Justice, of the terms and conditions of a renewed permit or the denial of an application for permit, the User shall be allowed to discharge in accordance with the terms and conditions of the prior permit, or if there were no permit, in accordance with the requirements of this Ordinance, until either the conclusion of the Appeal or until resolved by mutual agreement of MSD and the applicant.

14.03.02 Hearing Procedures

The hearing shall be conducted by a Hearing Officer or Officers who shall have the power to regulate the conduct of the hearing. Such power shall include the right to require testimony be given under oath or affirmation; the right to ask questions of the User and the General Manager, the right to adjourn the hearing from day to day to facilitate its completion; the right to require the User or the General Manager to make available for testimony and questioning Employees and agents. The General Manager and the User shall have the right to be represented by counsel; the right to present evidence in the form of testimony and documentary evidence; and the right to cross-examine witnesses. Testimony at the hearing may be recorded stenographically in the discretion of the Hearing Officer(s). If testimony is recorded stenographically, a transcript of the testimony will be made available to the User or the General Manager upon payment of the usual charges therefore.

14.03.03 A Record of Hearing shall be maintained by the Hearing Officer and shall include:

- A. A copy of the Civil Penalty Assessment;
- B. Notice of Termination of Permit or Administrative Order;
- C. Notice of Request for Adjudicatory Hearing;
- D. Transcript of testimony at the hearing, if any;
- E. Documents presented by User or General Manager;
- F. Decision by Hearing Officer(s).
- G. Additional material in the discretion of the Hearing Officer(s).

14.03.04 Within sixty (60) days of the receipt of the Request for Hearing, unless the time therefore is extended by mutual agreement of the General Manager and the User, the Hearing Officer(s) shall hold a hearing and make a Decision. A copy of the Hearing Officer's Decision shall be transmitted by registered or certified and regular mail to the User and to the General Manager.

14.03.05 Final Appeal Hearing

Any decision of the Hearing Officer(s) made as a result of the Adjudicatory Hearing may be appealed to the District Board by filing a written request for appeal within ten (10) days of receipt of the Hearing Officer's Decision. Unless such written demand is made within the time specified herein, the Hearing Officer's Decision shall be final and binding and further appeal is barred. Upon the filing of an appeal, the Hearing Officer(s) shall provide the District Board with a Record of the Adjudicatory Hearing. The District Board, or a committee consisting of two or more of its members appointed by the Chairman, shall review the Record and the Hearing Officer's Decision and make a recommendation to the District Board. The District Board shall consider the matter no later than its second regularly scheduled meeting following the date the appeal was filed. The District Board shall transmit a written copy of its Final Order by registered or certified mail to the User and to the General Manager.

14.03.06 Judicial Review

A User against whom a Hearing Officer's Decision or Final Order of the District Board has been entered may seek judicial review of the decision or order by filing a written request within thirty (30) days of receipt of the notice to the Superior Court of Buncombe County for review. A copy of the request for review by the Court must be served on the General Manager and the Chairman of the District Board. Within thirty (30) days of the receipt of the Petition for Judicial Review, the District Board shall transmit to the Superior Court of Buncombe County a certified copy of the official record of the proceedings before the District Board.

Section 14.04 Other Remedies

The General Manager may use other available remedies to attempt to bring users into compliance including but not limited to:

14.04.01 Criminal Violations

Upon recommendation of the District Board, the General Manager may request that the District Attorney for the 28th Judicial District prosecute users not in compliance with the provisions of North Carolina General Statutes 143-215.6B, or that the United States Attorney prosecute users not in compliance with the Clean Water Act and regulations promulgated thereunder.

14.04.02 Injunctive Relief

Whenever a User is in violation of the provisions of this Ordinance, a permit issued hereunder or any provision thereof, or applicable law or regulation, the General Manager, may file a lawsuit in the Superior Court of Buncombe County for the issuance of a restraining order, preliminary or permanent injunction restraining the activities in question by the User in violation of the permit or ordinance.

14.04.03 Water Supply Severance

Whenever a User is in violation of the provisions of this Ordinance, a permit issued hereunder, or provision thereof or applicable law or regulation, the General Manager may request that the respective county, district, city, town, or other entity providing water to the User, sever the user's water supply and re-connect the water supply only after satisfactory compliance with the user's permit or the provisions of this Ordinance.

Section 14.05 Remedies Nonexclusive

The remedies provided for in this Ordinance are not exclusive. The General Manager may take any, all, or any combination of these actions against a User not in compliance. Enforcement of pretreatment violations will generally be in accordance with MSD's Enforcement Response Plan. However, the General Manager may take other action against any user when the circumstances warrant. Further, the General Manager is specifically empowered to take more than one enforcement action against any non-compliant user.

Section 14.06 Affirmative Defenses to Discharge Violations

- 14.06.01 An upset shall constitute an Affirmative Defense to an action brought for noncompliance with this Ordinance, a Permit to Discharge Industrial Waste, or any other Pretreatment Standard, if the requirements set forth below are met.
- 14.06.02 A User wishing to establish the Affirmative Defense of Upset shall demonstrate, through properly signed, contemporaneous operating logs, or other relevant evidence that:
- A. An upset occurred and the User can identify the cause of the upset;
 - B. The facility was, at the time, being operated in a prudent and workmanlike manner and in compliance with applicable operating and maintenance procedures; and
 - C. The User has submitted the following information to the General Manager within twenty-four (24) hours of becoming aware of the Upset:
 - (i) Description of the discharge and cause of noncompliance;
 - (ii) The period of noncompliance, including exact dates and times or, if not corrected, the anticipated time the noncompliance is expected to continue; and
 - (iii) Steps being taken and planned to reduce, eliminate, and prevent recurrence of the non-compliant discharge.
- 14.06.03 In any enforcement proceeding, the User seeking to establish the affirmative defense of an upset shall have the burden of proving an upset by the greater weight of the evidence.
- 14.06.04 Users will have an opportunity for an Adjudicatory Hearing in accordance with Section 14.03 of this Ordinance on any claim of upset only in an enforcement action brought for noncompliance with Categorical Pretreatment Standards.
- 14.06.05 Whenever there is a loss of power to a facility, the User shall control production of all discharges to the extent necessary to maintain compliance with Categorical Pretreatment Standards upon reduction, loss, or failure of power at a facility until power is restored to the facility or an alternative method of treatment is provided.
- 14.06.06 Bypass is prohibited and the General Manager may take an enforcement action against the User for bypass, unless:
- A. Bypass is unavoidable to prevent loss of life, personal injury, or severe property damage;
 - B. There were no feasible alternatives to the Bypass, such as the use of auxiliary treatment facilities, auxiliary power sources, retention of untreated Wastes, cessation of operations at the facility, or maintenance during normal periods of equipment downtime. (This condition is not satisfied if adequate back-up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a Bypass which occurred during normal periods of equipment downtime or preventive maintenance); and

- C. The User knows in advance of the need for a bypass and submits notice of the bypass to the General Manager and receives written approval from the General Manager before the bypass occurs.
- D. The General Manager may approve an unanticipated bypass, after considering its adverse effects, if the General Manager determines that it will meet the conditions listed in (A), (B) and (C) of this Subsection 14.06.06.

14.06.07 In an enforcement proceeding, the User seeking to establish the defense of bypass will have the burden of proof.

Section 14.07 Annual Publication of Significant Noncompliance

At least annually, the General Manager, or his designee shall publish in a newspaper of general circulation that provides meaningful public notice within the jurisdiction(s) served by the POTW, a list of those industrial users which were found to be in significant noncompliance, also referred to as reportable noncompliance, in 15A NCAC 2H .0903(b)(34), with applicable pretreatment standards and requirements, during the previous 12 months.

SECTION 15 FEES

Section 15.01 User Charges and Fees

It is the purpose of this section to provide for the recovery, from users of the MSD Sewerage System, of the cost of regulating and controlling the discharge of sewage and other pollutants into the sewerage system. MSD may adopt charges and fees including:

- 15.01.01 Fees for operating the District Pretreatment Program.
- 15.01.02 Fees for issuing permits under this Ordinance.
- 15.01.03 Fees for monitoring, inspections, and surveillance procedures.
- 15.01.04 Fees for reviewing accidental discharge procedures and construction.
- 15.01.05 Fees for filing appeals.
- 15.01.06 Such other fees as MSD may deem necessary to regulate and control the discharge of sewage and other pollutants to the Sewerage System.

Section 15.02 User Charge and Fee Schedules

MSD has the right, under North Carolina General Statute, 162A-9, to establish rates, fees and charges for the use of its sewerage systems. MSD shall adopt and maintain user fees and charges and modify such charges from time, as it sees fit. Neither the establishment of user fees and charges or payment of user fees and charges shall be subject to review under this Ordinance.

SECTION 16 THE SEWER EXTENSION PERMIT PROGRAM

PERMITS FOR EXTENSIONS OR MODIFICATIONS OF THE SEWER SYSTEM

Section 16.01 Purpose

Pursuant to N.C. Gen. Stats. 143-215.1, permitting for extensions or modifications to the Sewerage System has been delegated to MSD in its service area. Section 16 of this Ordinance deals only with Permits for Extension or Modification to the Sewerage System. The provisions of this Section 16 regarding hearings are applicable only to actions dealing with permits issued, denied, or revoked pursuant to this section.

Section 16.02 Definitions

Unless the context specifically indicates otherwise, the following terms and phrases, as used in this Section, shall have the meanings hereinafter designated:

- 16.02.01 "MSD Sewer System" shall mean the portion of the facilities owned by the District, which is used to collect and carry wastewater to a Publicly Owned Treatment Plant, but does not include such plant, pumping stations and force mains.
- 16.02.02 "MSD Standards" shall mean those standards set forth in a document entitled "SEWER EXTENSION MANUAL" dated January 19, 2000, and as the same may be amended from time to time, provided, however, any amendment of such standards shall be subject to the approval of NCDENR.
- 16.02.03 "Director" refers to the Director of Engineering, MSD.
- 16.02.04 "Commission" means the North Carolina Environmental Management Commission
- 16.02.05 "DENR" means the North Carolina Department of Environment and Natural Resources.
- 16.02.06 "Documents" means writings, drawings, maps, graphs, charts, photographs, and other data compilations, from which information can be obtained, translated if necessary through detection devices into reasonably usable form. The verb "to include" in all its forms is used without limitation.
- 16.02.07 "District" shall refer to the Metropolitan Sewerage District of Buncombe County, North Carolina.

Section 16.03 Permit for Extension or Modification of the Sewer System

- 16.03.01 No person shall do any of the following things or carry out any of the following activities concerning a sewer facility which is proposed to become a part of the MSD sewer system or modify any existing portion of the MSD sewer system unless such person shall have applied for and received from MSD a permit for such extension or modification and shall have complied with the conditions, if any, prescribed in such permit:
 - A. Construct any sewer facility;
 - B. Alter, extend, or change the construction or method of construction of any sewer facility; or
 - C. Enter into a contract for the construction and installation of any sewer facility or for the alteration or extension of such facility.

- 16.03.02 Any person proposing to undertake anything or activity described in Subsection 16.02.01 shall make timely and proper application on such form(s) as may be prescribed by the Director and provide such information as may be required by the Director. MSD shall not undertake anything or activity described in Subsection 16.02.01 unless MSD first complies with the provisions of this section. A copy of all applications for permits and approved permits and plans (including applications and related documents submitted by MSD) shall be provided to the North Carolina Department of Environment and Natural Resources ("DENR")
- 16.03.03 All sewer facilities proposed for inclusion in the MSD sewer system and all proposed modifications to any existing portion of the MSD sewer system shall be designed, constructed, and installed in accordance with applicable provisions of the MSD Standards and in accordance with the Sewer Extension Policy. The plans and specifications for such facilities and modifications shall be prepared by or under the direct supervision of an engineer licensed to practice in the State of North Carolina. No extension to or modification of the Sewer System shall become a part of the Sewerage System unless and until it is accepted by action of the MSD Board. The Director shall maintain a copy of the current MSD Standards for public inspection.
- 16.03.04 No modifications to the MSD standards shall be effective until approved in writing by DENR. Connection to the MSD sewer system by a system that will not be maintained by the District shall not be subject to the provisions of this section; however, the District reserves the right to regulate the wastewater flows from such systems and to prohibit the connection of such system.
- 16.03.05 The denial of an application for a permit subject to the provisions of this section shall be made in writing and shall contain each reason for the denial and a statement of the changes in the applicant's proposed activities or plan, which will be required in order that the applicant may obtain a permit. Nothing in such statement shall preclude or otherwise bar MSD from denying a permit, which incorporates such changes, based upon changed circumstance or information not previously known by MSD.

Section 16.04 Processing of Applications

- 16.04.01 Each application subject to this section shall be accompanied by a fee in the amount that would apply, if the application were being submitted to DENR under such schedule or fees as it may establish. A copy of the current fee schedule for DENR shall be maintained by the Director and made available for inspection upon request. Any application, which is not accompanied by a fee in the proper amount, may be considered incomplete.
- 16.04.02 MSD shall review the fee, plans, specifications and other project data accompanying an application and shall determine if the application and accompanying material are complete and in a form acceptable to MSD. MSD shall acknowledge receipt of a complete application.
- 16.04.03 The Director shall take final action on all applications no later than 90 days following receipt of a complete application. All permits shall be issued in writing. A permit may contain such conditions as the Director determines to be reasonably necessary, considering the factors on which final action on a permit can be based.
- 16.04.04 If the application is not complete, the application shall be returned to the applicant. MSD shall advise the applicant in writing:
- A. How the application can be modified to make it complete and acceptable; and
 - B. That the time for MSD to take final action on an application does not begin until receipt of a complete, corrected application.

- 16.04.05 Any permit issued by MSD pursuant to this section is subject to revocation or modification upon 30 days written notice by the Director in whole or in part for good cause including, but not limited to:
- A. Violation or any term or condition of the permit;
 - B. Obtaining a permit by misrepresentation or failure to disclose fully all relevant facts;
 - C. Refusal of the permittee or its contractors, agents or employees to allow authorized employees or agents of MSD, upon presentation of credentials, to inspect or observe any activity, facility or other work required by the permittee's permit.
- 16.04.06 A notice of revocation or modification issued pursuant to Subsection 16.03.05 shall contain each reason for the revocation or modification.

Section 16.05 Enforcement

- 16.05.01 Any person that violates, fails to comply with, or continues to violate any provision of this Section or a permit issued thereunder may be liable to the MSD for a maximum civil penalty of Twenty-five Thousand Dollars (\$25,000), per violation. Each day during which a violation continues shall be deemed a separate and distinct offense. In determining the amount of the civil penalty, the MSD may take into account all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the magnitude and duration of the violation, any economic benefit gained through the person's violation, the person's efforts to correct the violation, the compliance history of the person against whom the violation is assessed, cost of enforcement to the MSD, whether the violation was committed willfully or intentionally, and any other factor which MSD, in its discretion, believes is appropriate.
- 16.05.02 MSD shall provide written notification to any person assessed a civil penalty of the assessment and the reasons therefore.
- 16.05.03 If any person violates the provisions of Section 16.02 or the terms or conditions of any permit issued pursuant thereto, a civil action may be commenced in the General Court of Justice in the name of the District for such legal and equitable relief.
- 16.05.04 The remedies provided herein are not exclusive. MSD may take any one or any combination of the actions listed herein against any person in violation of the provisions of this Section or permit issued hereunder.

Section 16.06 Hearing

- 16.06.01 The following persons are entitled to hearing pursuant to this Section:
- A. Any person whose application for a permit under Section 16.02 is denied or granted subject to conditions, which are unacceptable to such person.
 - B. Any person to whom a permit has been issued and which is revoked or modified pursuant to this Section.
 - C. Any person who is assessed a civil penalty pursuant to Subsection 16.04.01.
- 16.06.02 Any person making a demand for a hearing shall deliver the demand to the Director within the following applicable time limits after receipt of notice of the action to be heard:
- A. 30 days for the denial of a permit required by this Section or for the grant of a permit required by this Section subject to conditions, which are unacceptable to the person applying for the permit;

- B. 30 days for the assessment of a civil penalty; and
- C. 10 days for the modification or revocation of a permit required by this Section.

16.06.03 In the demand for a hearing, in order to consider:

- A. The denial of a permit, the applicant must identify separately each reason for denying the permit, which the applicant contends to be improper, and every basis for such contention.
- B. A permit granted subject to unacceptable conditions, the applicant must identify separately each unacceptable condition and every basis for such contention.
- C. The modification or revocation of a permit, the person to whom such permit was issued must state separately each reason for modifying or revoking the permit which such person contends to be improper and every basis for such contention;
- D. A civil penalty assessment, the person to whom such penalty was assessed must state separately each reason why such penalty should not be assessed or, if the person contends that, the civil penalty was assessed in an improper amount, each reason why the amount of the penalty is improper.

16.06.04 The hearing shall be conducted by the General Manager or his designee. If the demand for a hearing is not made in accordance with the provisions of this section, the General Manager may reject the demand and any right to a hearing shall be terminated. If any person demanding a hearing may fail to comply with an order of the General Manager or with any rules issued by the General Manager or approved by the District Board concerning the conduct of the hearing, the General Manager may reject the demand and any right to a hearing shall be terminated. Within 90 days of the receipt of the written demand for a hearing, the General Manager shall conduct a hearing and issue a final order or decision; provided that, a hearing to consider the modification or revocation of a permit shall be held and a final order or decision issued within ten (10) days of the receipt of the written demand for a hearing. The General Manager shall transmit a copy of the final order or decision to the person demanding the hearing by registered or certified mail. No further review of the General Manager's final order or decision will be allowed, except as set forth in Subsection 16.05.10.

16.06.05 The General Manager or his designee shall conduct the hearing. The General Manager may ask the appellant and MSD staff to provide a written summary of their positions, and the General Manager may decide the appeal based on a review of the written material, provided however, any decision of the General Manager shall contain findings of facts. The General Manager may allow the appellant and MSD staff to present sworn testimony and offer documentary and other tangible evidence at the hearing. The appellant and MSD may be represented by counsel and may present witnesses for their respective positions. The General Manager shall have the right to ask questions of witnesses and to limit testimony to those matters relevant to the determination. Witnesses may be subject to cross examination, but the General Manager shall have the right to limit the scope of such cross examination to matters relevant to the inquiry. Each assessment of a civil penalty which has been included in a demand for a hearing in accordance with the provisions of this section is stayed and shall not take effect until the earliest occurrence of any one of the following circumstances: the assessment of the civil penalty is approved or is modified at a hearing conducted pursuant to this section; or the person who is assessed the civil penalty and the General Manager agree on the assessment. If the assessment of a civil penalty against any person is approved or modified by the General Manager at a hearing conducted pursuant to this section, the General Manager may require the payment of said penalty within the (10) days or such additional time as the General Manager may specify.

16.06.06 The General Manager may appoint a hearing officer to conduct any hearing authorized by this section. A hearing officer shall have the same authority to conduct a hearing and reach a decision as is provided to the General Manager; provided that, the decision of the hearing officer shall not be final but shall be a recommended decision

for consideration by the General Manager. The General Manager may approve such decision without change, reject the decision and require a new or continued hearing, or issue a different or revised decision, which is supported by evidence presented at the hearing. The General Manager shall make a recommended decision to the Board. The District Board shall consider the matter no later than its second regularly scheduled meeting following the date the appeal was filed. The District Board shall transmit a written copy of its Final Order by certified and regular mail to the User and to the General Manager.

- 16.06.07 The General Manager may provide for any part of the hearing to be recorded by any reasonable means, including but not limited to, audio and/or video recording, stenographer, or court reporter. A transcript of any hearing, or part thereof, which is recorded need not be prepared unless requested. The original of a requested transcript shall be filed with the General Manager. Each person shall bear the cost of the transcript, which said person requests, including any copy thereof.
- 16.06.08 Any person against whom a final order or decision of the General Manager is made pursuant to a hearing conducted under this section, may seek judicial review of the order or decision by filing a written petition within thirty (30) days after receipt of notice of the order or decision, with the Superior Court of Buncombe County. Within thirty (30) days after service of a copy of the petition upon the MSD or such other time as may be ordered by the court, the MSD shall prepare and transmit to the court the original or a certified copy of the official record of the hearing as hereinafter set forth. The official record of the hearing shall consist of:
- A. All notices, motions and other similar documents;
 - B. All documentary and tangible evidence tendered at the hearing; and
 - C. The final order or decision. A transcript of each part of the hearing that was recorded shall be included in the official record as an exhibit, if available at the time the remaining portion of the official record is transmitted to the Court. If the transcript is not available at that time, it shall be transmitted to the Court as soon as reasonably possible after the transcript has been prepared. If testimony is taken and not recorded, a narrative summary of any testimony taken shall be prepared and transmitted to the court as an exhibit to the official record.
- 16.06.09 The General Manager may consider petitions for remission of civil penalties assessed pursuant to this section. A petition for remission shall be in writing and shall be signed by the person against whom the civil penalty was assessed. The petition shall include: a waiver of any and all rights of the petitioner to a hearing and judicial review of the assessment; and a stipulation that the facts are correct as set forth in the documents assessing the civil penalty. The decision of the General Manager on the petition shall be final and shall not be subject to further administrative or judicial review. In determining whether a petition for remission will be approved, the General Manager shall consider the following factors:
- A. whether one or more of the factors concerning the assessment of a civil penalty in Subsection 16.04.01 were wrongly applied to the detriment of the petitioner;
 - B. whether the petitioner promptly abated continuing environmental damage resulting from the violation giving rise to the assessment;
 - C. whether the violation giving rise to the assessment was inadvertent or the result of an accident;
 - D. whether the petitioner has been assessed civil penalties for any prior violations pursuant to this section or by any State or Federal authority enforcing substantially similar provisions;
 - E. Whether payment of the civil penalty by the petitioner will prevent payment for any remaining, necessary remedial action.

- 16.06.10 After submitting a petition for remission, the petitioner shall provide such additional information and records as may be reasonably necessary or convenient to the General Manager's consideration of the petition. The General Manager may remit the entire amount of a civil penalty only when the petitioner has not been assessed civil penalties for any prior violation of this section or by State or Federal authority, enforcing substantially similar provisions and the payment of the civil penalty will prevent payment of any remaining, necessary remedial action.

Section 16.07 Permits Not Transferable

Permits issued pursuant to this section are issued to a specific applicant. A permittee may not assign, transfer, or sell a permit, or any right or obligation in a permit, to another person.

SECTION 17 SPECIAL ARRANGEMENTS

Section 17.01 Special Arrangements

Nothing contained in this Ordinance shall be construed as preventing the execution of a contract, special agreement, or arrangement between the District Board and any User whereby wastewater of unusual strength, character or quantity may be admitted into the sewerage system upon such terms and conditions, as the District Board deems appropriate.

SECTION 18 SEVERABILITY

Section 18.01 Severability

If any section, clause, provision or portion of this Ordinance shall be held to be invalid or unconstitutional by any court of competent jurisdiction, such holding shall not affect any other section, clause, provision, or portion of this Ordinance.

SECTION 19 CONFLICT

Section 19.01 Conflict with Other Ordinances and Regulations

All other ordinances and regulations and parts of other ordinances and regulations inconsistent or conflicting with any part of this Ordinance are hereby repealed to the extent of such inconsistency or conflict. This Ordinance shall not affect any litigation or other proceedings pending at the time of its adoption.

Section 19.02 Conflict with Federal, State, or Local Law

Nothing in this Ordinance is intended to affect any requirements including standards or prohibitions established by Federal, State or local law so long as Federal, State, or local requirements are not less stringent than the requirements set forth in this Ordinance.

SECTION 20 AMENDMENTS

Section 20.01 Amendments

The District reserves the right to amend the Ordinance.

SECTION 21 ADOPTION AND EFFECTIVE DATE**Section 21.01 Declaration of Intent to Adopt**

Declaration of Intent to adopt this Sewer Use Ordinance was introduced to the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina and passed on April 15, 2009.

Section 21.02 Consideration of Comments and Suggestions

Comments and suggestions from governing bodies within the District with respect to this Ordinance were considered by the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina on May 16, 2012.

Section 21.03 Adoption and Effective Date

21.03.01 Sewer Use Ordinance adopted on May 16, 2012.

21.03.02 Effective Date: May 16 2012.

This Ordinance shall be in full force and take effect on May 16, 2012 provided that prior to said date this Ordinance shall have been approved by the North Carolina Environmental Management

Approved as to form: _____

William Clark
General Counsel

Steven T. Aceto, Chairman
Board of the Metropolitan Sewerage District North
Carolina of Buncombe County,

Attest: _____

Thomas E. Hartye, P.E.
General Manager

Metropolitan Sewerage District of Buncombe County

Board Action Item

BOARD MEETING DATE: May 16, 2012

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: David Monteith, Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Oakcrest Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Appalachian Way in the City of Asheville. The developer of the project is David Ball of Ball Enterprises, Inc. The project included the installation of approximately 783 linear feet of 8" gravity sewer to serve a forty-one (41) unit residential subdivision. A wastewater allocation was issued in the amount of 12,400 GPD for the project. The estimated cost of the sewer extension is \$50,000.00.

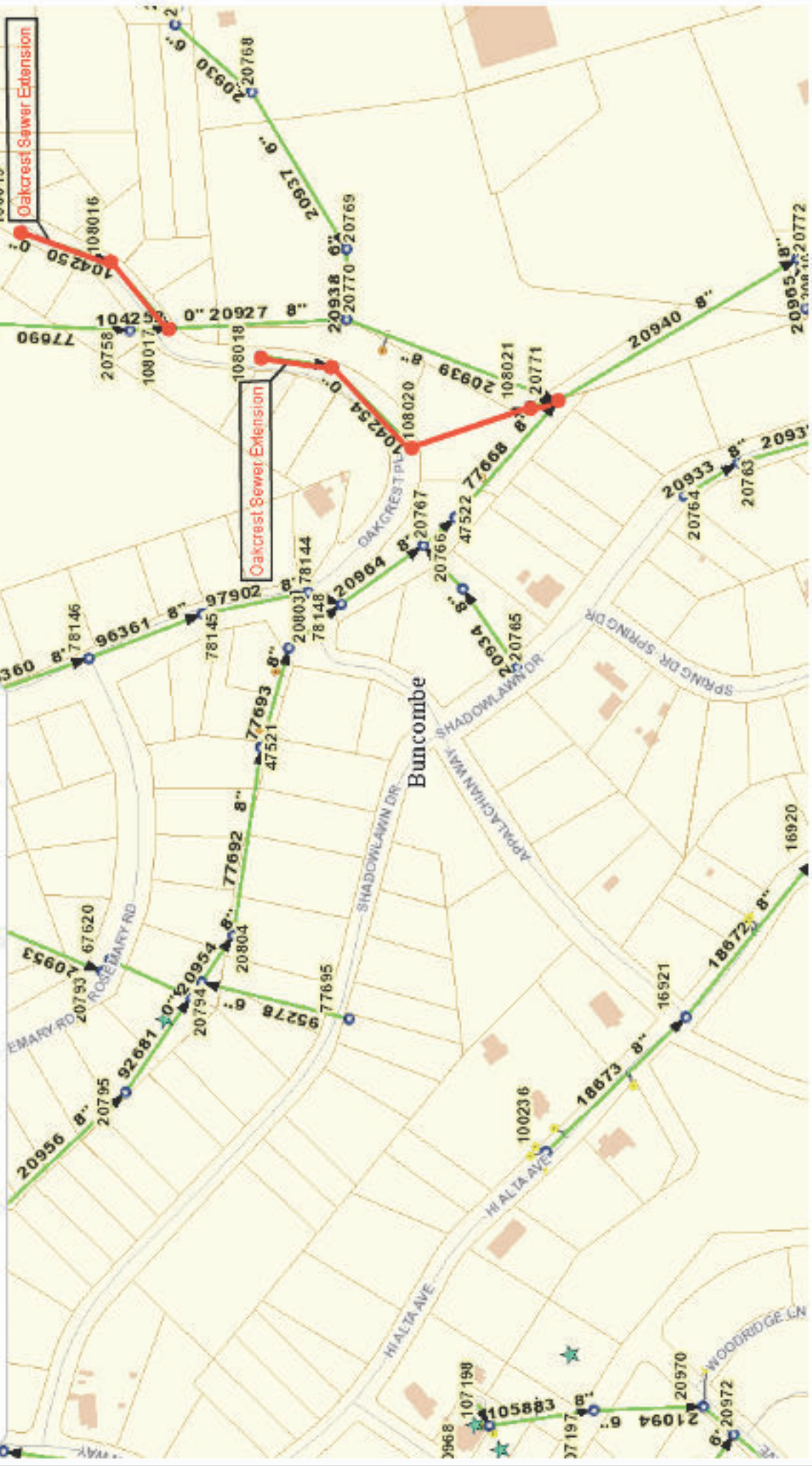
STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.
(All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
BOARD ACTION TAKEN	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	

Oakcrest Sewer Extension MSD Project #2004056

Printed: May 07, 2012

Scale 1:2400



The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: May 16, 2012

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, CLGFO, Director of Finance

Subject: Third Quarter Budget to Actual Review – FY 2011-2012

Background

Attached for the Board's information is a budget to actual comparison of the revenues and expenditures for the third quarter of the fiscal year ending June 30, 2012. This information is based on cash revenues and invoices received prior to April 1, 2012 and may not include some accruals of revenue and expenditures as explained below.

Discussion

The attached sheet summarizes revenues and expenditures per the budget summary, comparing actual plus encumbered expenditures to budgeted amounts. The notes are added to anticipate any questions or comments concerning amounts reported. Additional notes to aide in the analysis of the District's financial performance for the fiscal year are as follows:

- ▶ Domestic and Industrial User Fees are at budgeted expectations. As noted in the monthly cash and investment reports, the City of Asheville implementation of a new billing system has impacted timing of billing cycles and cash receipts. Staff monitors consumption trends as they have a direct effect on the District's current and future revenue projections.
- ▶ Facility and Tap Fees are budgeted conservatively. This leads to actual revenues being significantly higher than budget. The unusually large variance as of the end of the second quarter is due to receiving unanticipated revenue of \$610,000 from one development.
- ▶ Interest and miscellaneous income are above budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the Hydroelectric Facility. Investment income is still experiencing recessionary pressure on the fixed income market.
- ▶ Rental income reflects expected earnings.
- ▶ Actual O&M expenditures are below 75% of budget. The expenditures include encumbered amounts, which will be spent in the fourth quarter.
- ▶ Bond principal and interest actually spent/reserved are below 75% of budgeted amounts due to the entire amount of principal payments being made on July 1, 2011.
- ▶ Amounts budgeted for capital equipment and projects are rarely expended proportionately throughout the year and are expected to be fully spent prior to the end of the year.

Staff Recommendation

None – Informational only.

Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:		Deadline:	

Metropolitan Sewerage District
Budget to Actual Revenue and Expenditure Report
For the nine months ended March 31, 2012
UNAUDITED--NON-GAAP

	Budget	Actual to Date	% Budget to Actual
REVENUES			
Domestic User Fees ¹	\$ 25,030,400	\$ 18,754,339	74.93%
Industrial User Fees	1,602,660	1,236,737	77.17%
Facility Fees ₂	1,250,000	1,579,774	126.38%
Tap Fees ³	105,000	169,950	161.86%
Billing and Collection	657,810	480,120	72.99%
Interest and Misc. Income	601,064	537,021	89.35%
Grant Revenue	119,675	79,090	66.09%
Employee Contribution to Health Ins.	460,079	317,156	68.94%
City of Asheville (Enka Bonds) ⁴	37,000	-	0.00%
Rental Income	67,872	54,354	80.08%
Use of Available Funds ⁵	<u>13,483,225</u>	<u>7,321,804</u>	<u>54.30%</u>
Total Revenues⁶	<u>\$ 43,414,785</u>	<u>\$ 30,530,345</u>	<u>70.32%</u>
EXPENDITURES			
Operations and Maintenance ⁷	\$ 14,545,544	\$ 10,462,104	71.93%
Bond Principal and Interest ⁸	8,371,858	1,740,421	20.79%
Capital Equipment (Other than O&M) ⁷	809,607	758,067	93.63%
Capital Projects ⁷	18,687,776	17,569,753	89.24%
Contingency	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 43,414,785</u>	<u>\$ 30,530,345</u>	<u>70.32%</u>

Notes:

¹ Revenues are on the cash basis

² Increase due to unanticipated revenue from a development

³ Increase in number of Taps requiring Bore Fees

⁴ Payment to be received in May

⁵ Pay-as-go funds to be used for CIP

⁶ Budget-to-Actual Ratio does not include use of available funds

⁷ Includes encumbered amounts as well as actual insurance expenditures

⁸ Below 75% because 100% of principal payments due on July 1, 2012 for the entire FY12

Metropolitan Sewerage District of Buncombe County BOARD INFORMATIONAL ITEM

Meeting Date: May 16, 2012

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, CLGFO, Director of Finance
Cheryl Rice, Accounting Manager

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2012

Background

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of March 31, 2012 were \$35,505,407. The detailed listing of accounts is available upon request. The average rate of return for all investments is 0.979%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of March 31, 2012 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of March 31, 2012 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$13,047,019.

Total Cash & Investments as of 03/31/2012	35,505,407
Less:	
Budgeted Commitments (Required to pay remaining FY12 budgeted expenditures from unrestricted cash)	
Construction Funds	(6,707,628)
Operations & Maintenance Fund	(4,523,325)
	(11,230,953)
Bond Restricted Funds	
Bond Service (Funds held by trustee):	
Funds in Principal & Interest Accounts	(18,957)
Debt Service Reserve	(2,316,238)
Remaining Principal & Interest Due	(5,747,620)
	(8,082,815)
District Reserve Funds	
Fleet Replacement	(273,718)
WWTP Replacement	(644,606)
Maintenance Reserve	(832,766)
	(1,751,090)
Post-Retirement Benefit	(806,772)
Self-Funded Employee Medical	(586,758)
Designated for Capital Outlay	13,047,019

Staff Recommendation

None. Information Only.

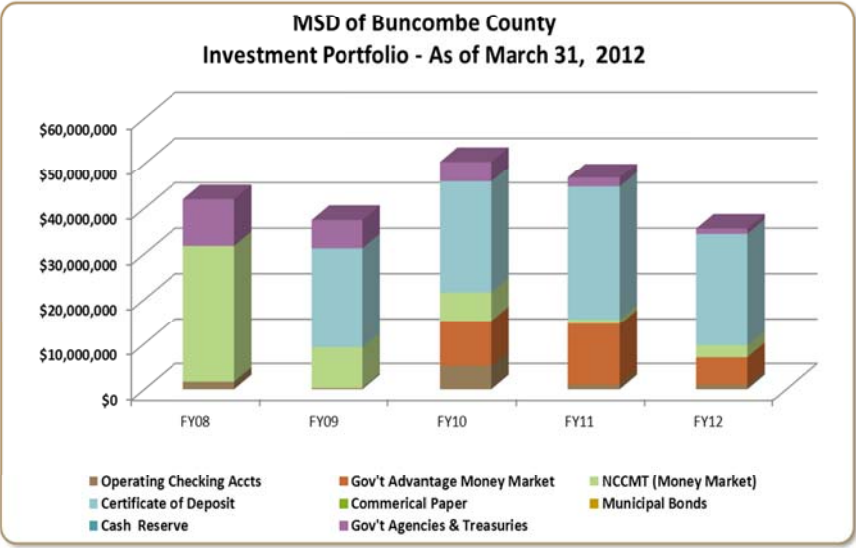
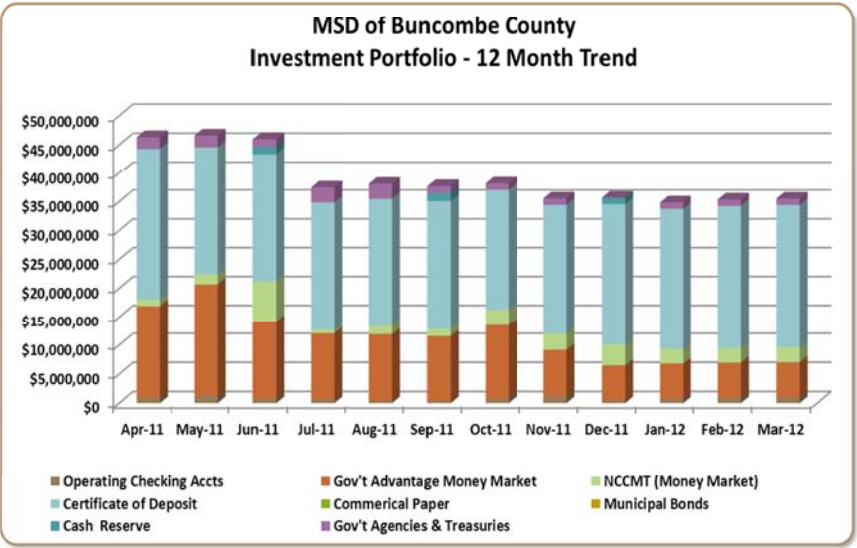
Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:			Deadline:

Metropolitan Sewerage District of Buncombe County Investment Portfolio

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -		\$ 1,218,392				\$ -	\$ 1,116,802	\$ 2,335,194
Held by MSD	967,548	6,044,771	1,412,189	24,745,705	-	-		-	33,170,213
	<u>\$ 967,548</u>	<u>\$ 6,044,771</u>	<u>\$ 2,630,581</u>	<u>\$ 24,745,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116,802</u>	<u>\$ 35,505,407</u>

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	3.15%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	69.70%	The District 's YTM of .77% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20%	0.00%	
North Carolina Capital Management Trust	100%	7.41%	All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Checking Accounts:	100%		
Operating Checking Accounts		2.73%	
Gov't Advantage Money Market		17.01%	



Board Meeting

May 16, 2012

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2012

Page -3-

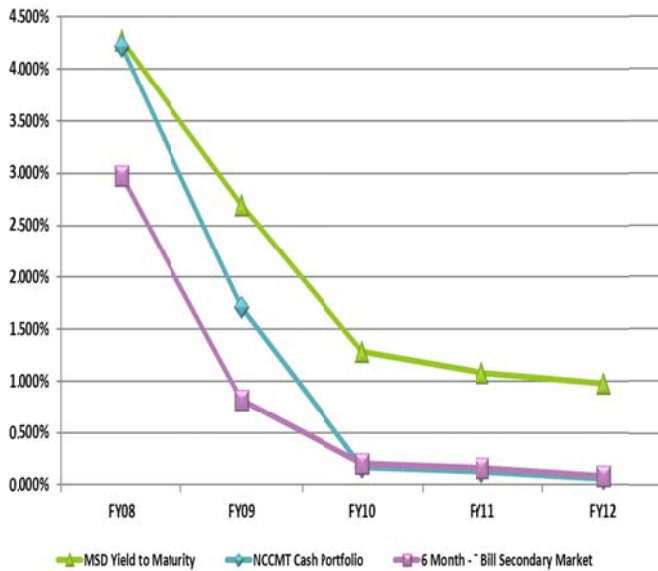
**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
AT March 31, 2012**

	Original		Interest
	Cost	Market	Receivable
Beginning Balance	\$ 31,260,166	\$ 31,260,166	\$ 192,833
Capital Contributed (Withdrawn)	653,706	653,706	
Realized Income	808	808	
Unrealized/Accrued Income	-	-	19,709
Ending Balance	<u>\$ 31,914,680</u>	<u>\$ 31,914,680</u>	<u>\$ 212,542</u>

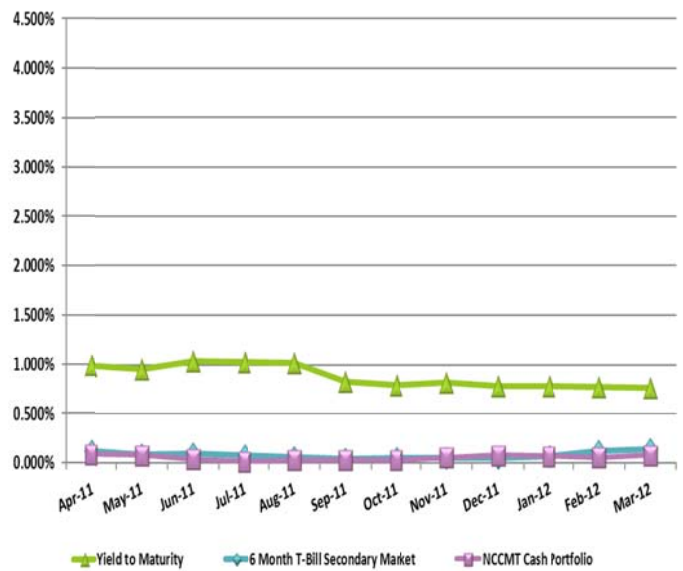
	Original Cost	Income
Cash Equivalents <91 Days	\$ 7,168,975	\$ 4,609
Securities/CD's 91 to 365 Days	24,745,705	\$ 15,909
Securities/CD's > 1 Year	-	\$ -
	<u>\$ 31,914,680</u>	<u>\$ 20,517</u>

<u>Month End Portfolio Information</u>	
Weighted Average Maturity	433
Yield to Maturity	0.77%
6 Month T-Bill Secondary Market	0.14%
NCCMT Cash Portfolio	0.08%

Metropolitan Sewerage District
Annual Yield Comparison



Metropolitan Sewerage District
Yield Comparison - March 31, 2012



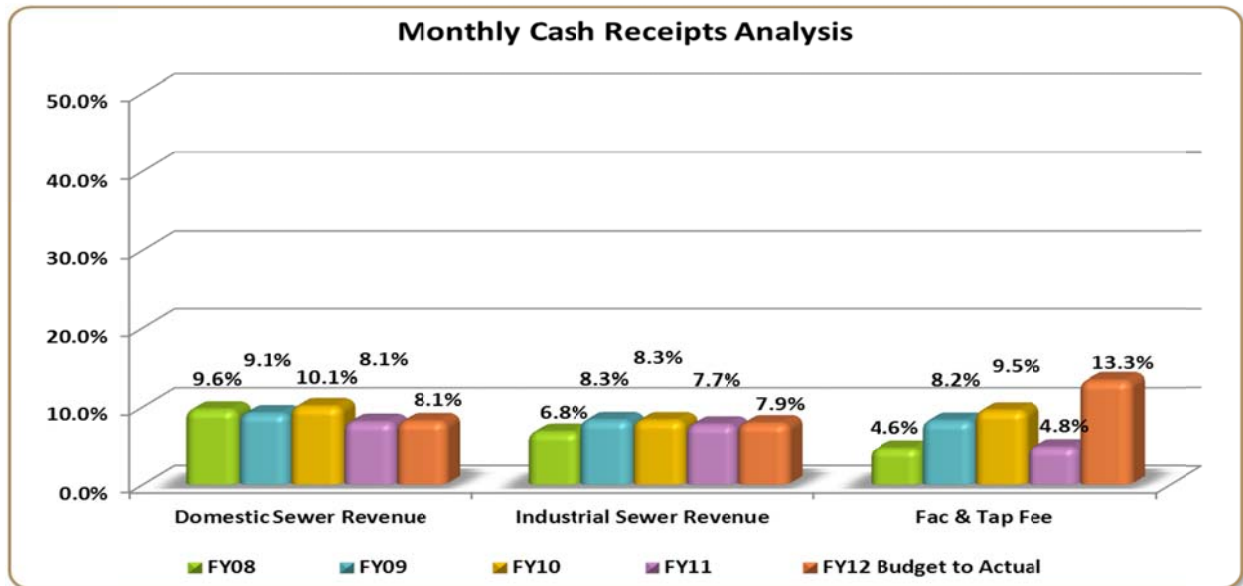
Board Meeting

May 16, 2012

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2012

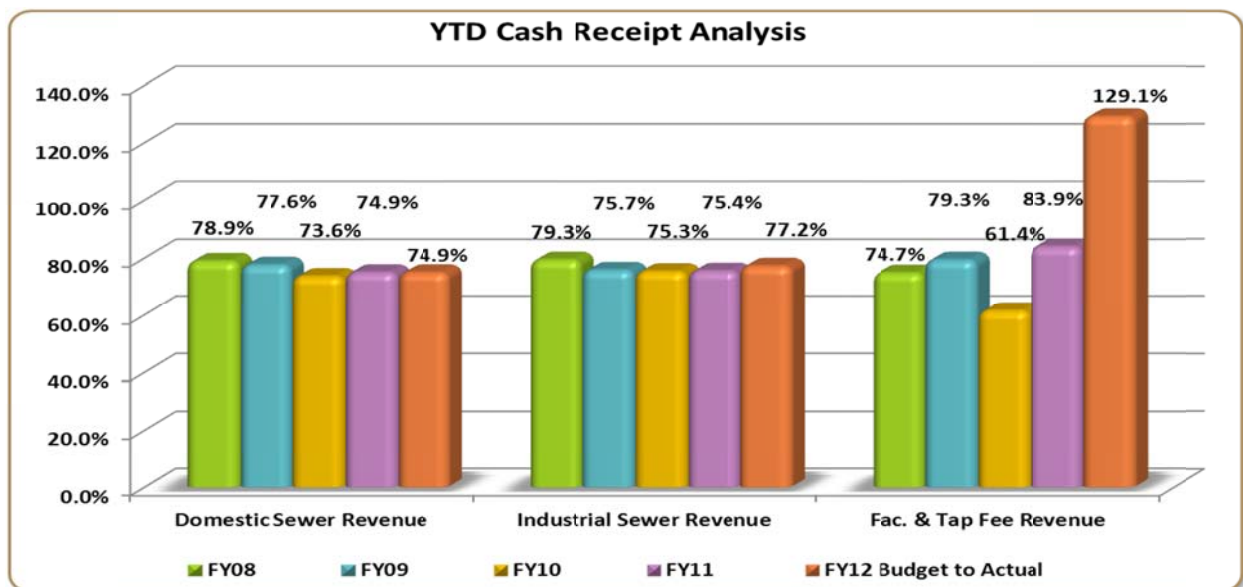
Page -4-

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
AS OF March 31, 2012**



Monthly Cash Receipts Analysis:

- ▶ Due to the City of Asheville’s implementation of their Munis Billing System, billing cycles have been affected, and has impacted timing of cash receipts. Billing cycles should resume to normal trends by the end of FY12.
- ▶ Monthly industrial sewer revenue is considered reasonable based on historical trends.
- ▶ Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.



YTD Actual Revenue Analysis:

- ▶ Due to the City of Asheville’s implementation of their Munis Billing System, billing cycles have been affected, and has impacted timing of cash receipts. Billing cycles should resume to normal trends by the end of FY12.
- ▶ YTD industrial sewer revenue is considered reasonable based on historical trends.
- ▶ Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

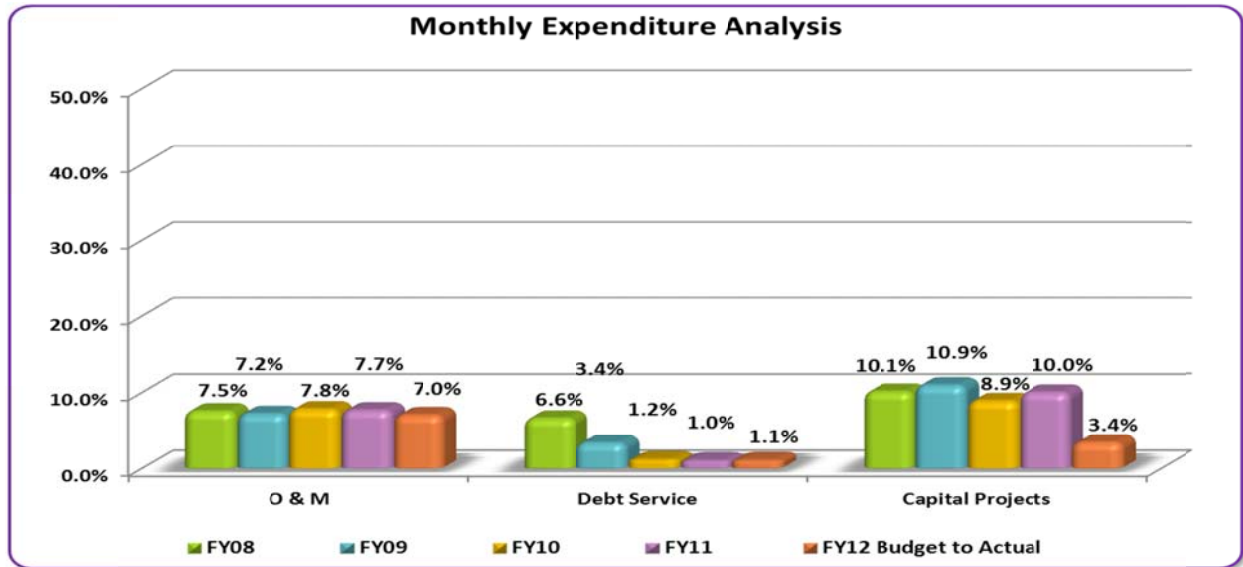
Board Meeting

May 16, 2012

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2012

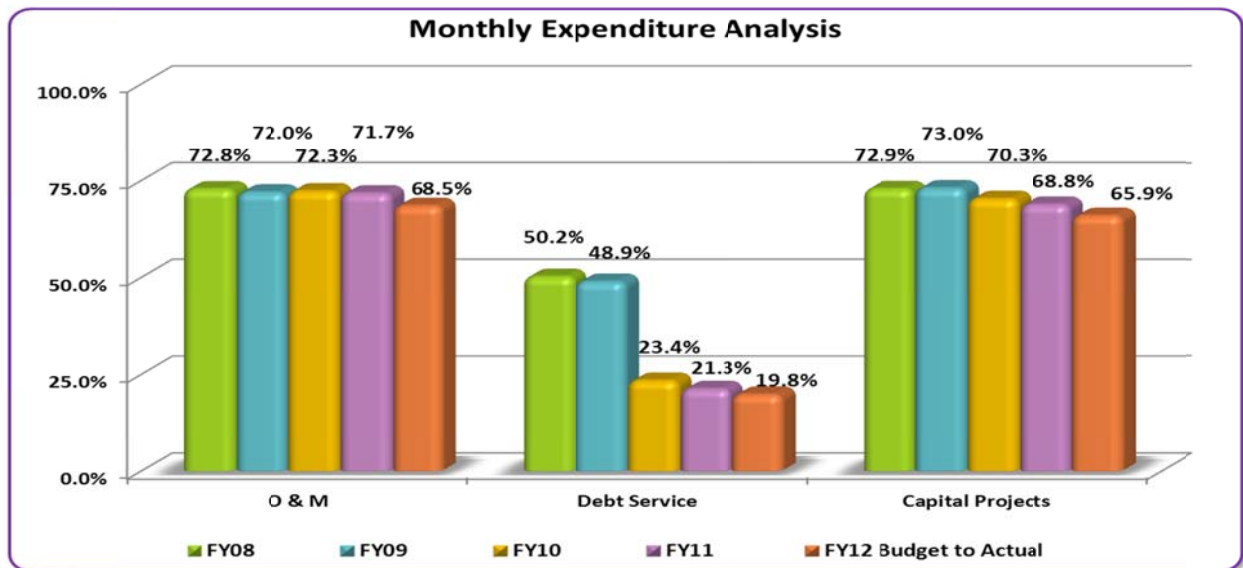
Page -5-

**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
AS OF MARCH 31, 2012**



Monthly Expenditure Analysis:

- ▲ Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- ▲ Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures are considered reasonable.
- ▲ Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are considered reasonable.



YTD Expenditure Analysis:

- ▲ YTD O&M expenditures are considered reasonable based on historical trends.
- ▲ Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered reasonable.
- ▲ Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are considered reasonable.

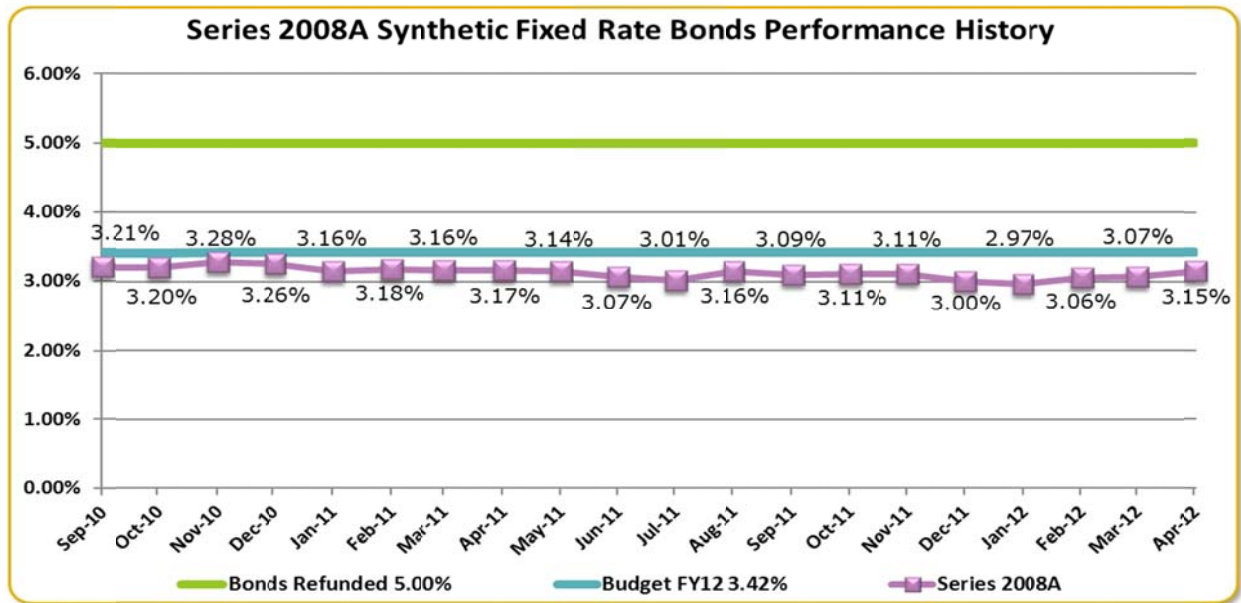
Board Meeting

May 16, 2012

Subject: Cash Commitment/Investment Report-Month Ended March 31, 2012

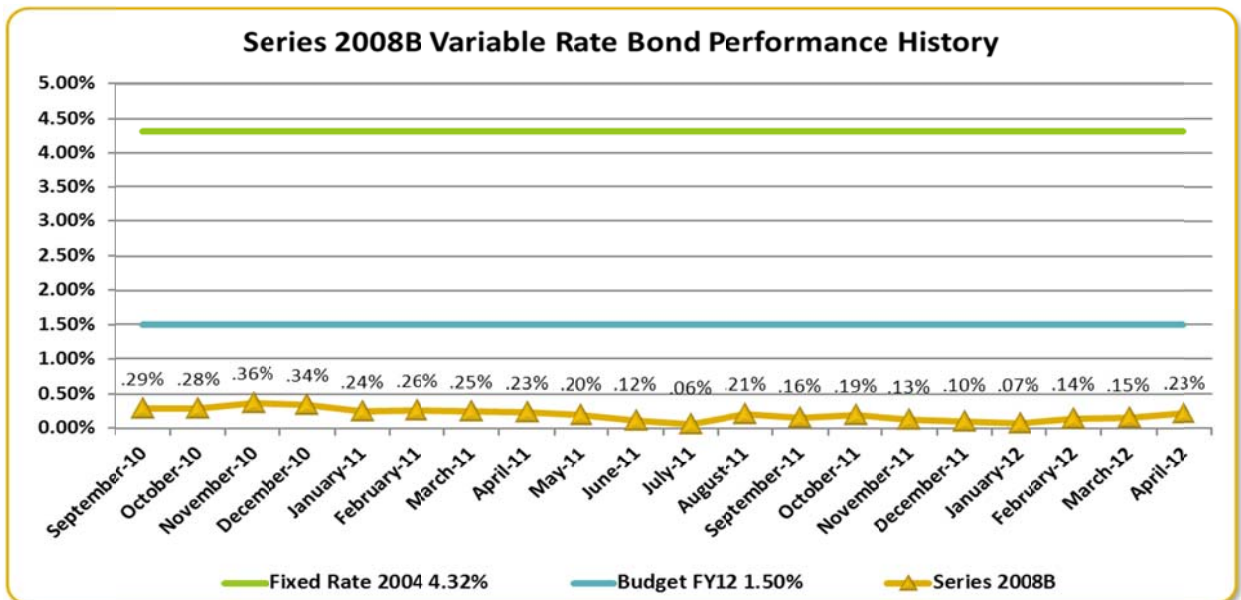
Page -6-

**METROPOLITAN SEWERAGE DISTRICT
Variable Debt Service Report
As of April 30, 2012**



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,158,979 as compared to 4/1 fixed rate of 4.85%.
- Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 4.0675%, MSD will achieve cash savings of \$4,730,000 over the life of the bonds.
- MSD would pay \$6,270,000 to terminate the existing Bank of America Swap Agreement.



Series 2008B:

- Savings to date on the 2008B Variable Rate Bonds is \$3,102,623 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.58%.
- MSD will achieve \$8,825,000 in cash savings over the life of the bonds at the current average variable rate.

Metropolitan Sewerage District of Buncombe County

BOARD ACTION ITEM

Meeting Date: May 16, 2012
Submitted By: Thomas E. Hartye, PE., General Manager
Prepared By: W. Scott Powell, CLGFO, Director of Finance
Reviewed By: Billy Clarke, District Legal Counsel
Subject: Series 2008 A&B Resolution replacing Current Standby Purchase Agreement

Background

The District has Series 2008 A&B revenue bonds. These Series are variable rate debt with an outstanding balance of \$53,030,000 as of May 9, 2012. Due to their variable nature, both series require a standby bond purchase agreement. Currently, the District has a 0.60% agreement with Bank of America (BoFA) at an annual cost of approximately \$318,000.

Discussion

Moody's Investors Service has put the short-term credit rating of BoFA under review for downgrade from P1 to P2. This has had an immediate impact on BoFA Variable Rate Demand Notes (VRDN). While the District's VRDNs continue to reset at +/- 0.01 basis point above SIFMA, many other entities are experiencing reset rates at .05 to .10 basis points above SIFMA.

The potential downgrade might force tax-exempt money market funds to tender their holdings of BoFA VRDNs back to their respective remarketing agents. If this occurs, the remarketing agent could either hold the VRDNs in their inventory or tender them against the standby bond purchase agreement. Tendering the bonds against the standby bond purchase agreement exposes entities to interest rates as high as 7%.

Staff has inquired as to the cost and possibility of entering into a Standby Bond Purchase Agreement with Wells Fargo, NA. Wells Fargo, NA is the District's Underwriter for the bonds as well as Remarketing Agent. Wells Fargo, NA has performed well in both capacities. Wells Fargo, NA has agreed to enter into a Standby Bond Purchase agreement on the same terms and conditions as the current agreement except the rate will be 0.53% annually, seven basis points lower than with BoA resulting in an annual savings of \$37,000. Additionally, the District's operating checking account will have to be moved from BoFA to Wells Fargo, NA.

Fiscal Impact

The District will incur approximately \$60,000 in legal and rating agency fees in making this change from Bank of America to Wells Fargo, NA. The District will save \$37,000 **ANNUALLY** (\$111,000 total) over the proposed 3-year Standby Bond Purchase agreement with Wells Fargo, NA. Bank of America has agreed to waive the termination fees in the Standby Bond Purchase Agreement.

Meeting Date: May 16, 2012

Subject: Series 2008 A&B Resolution replacing Current Standby Purchase Agreement

Page 2

Staff/Finance Committee Recommendation

The Finance Committee unanimously approved staff's recommendation to forward to the Board for approval the proposed "Term Sheet" from Wells Fargo (Exhibit 1) and the proposed "Resolution" (Exhibit 2) approving Wells Fargo, NA as successor liquidity provider for the Series 2008 A&B revenue bonds.

Action Taken

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:		Deadline:	

Proposal to Provide an SBPA to:

**Metropolitan Sewerage District of Buncombe County, North Carolina
April 16, 2012**

Summary of Preliminary Terms and Conditions (“Term Sheet”) (For Discussion Purposes Only – Not a Commitment to Lend)

Obligor: Metropolitan Sewerage District of Buncombe County, North Carolina ("Obligor" or "MSD").

Facility and Purpose: A Standby Bond Purchase Agreement (“SBPA”, or the “Facility”) to provide liquidity support for its Series 2008A and Series 2008B Sewerage System Revenue Refunding Bonds.

Bank: Wells Fargo Bank, National Association (the "Bank").

Term: Three (3) years from the effective date of the Facility.

The term of the Facility may be extended on an annual or multi-annual basis, upon the mutual consent of the Obligor and the Bank.

Facility Amount: In the maximum amount of up to \$53,640,208.

The amount will cover principal plus applicable accrued interest.

Security: Pledge of revenues on parity with other bondholders.

FACILITY FEES:

Facility Fee :

Term	SBPA Facility Fee
3 Years	53 bps

Downgrade
Pricing:

The above pricing is subject to the maintenance of the current ratings assigned to the long term, unenhanced debt of the Obligor that is secured on parity with, or senior to, the Bonds ("Parity Debt"). Should the ratings change, the Facility Fee will be adjusted as reflected below:

Credit Rating (S&P/Moody's/Fitch)	SBPA Facility Fee
AA/Aa2/AA to AA-/Aa3/AA-	+5bps
AA-/Aa3/AA- to A+/A1/A+	+10bps

A+/A1/A+ to A/A2/A	+10bps
A/A2/A to A-/A3/A-	+10bps
A-/A3/A- to BBB+/Baa1/BBB+	+25bps
BBB+/Baa1/BBB+ to BBB/Baa2/BBB	+35bps
BBB/Baa2/BBB to BBB- /Baa3/BBB-	+50bps

In the event of a split rating, the lower rating will prevail. If one or more of the underlying ratings are withdrawn or suspended for any reason, any rating falls below investment grade, or an event of default occurs, the Facility Fee shall automatically increase to the Facility Fee which would apply if any rating assigned to the Obligor's Parity Debt is "BBB-/Baa3" plus one hundred basis points (1.00%) per annum.

All of the foregoing pricing increases shall be cumulative.

References above are to rating categories as presently determined by the rating agencies, and in the event of the adoption of any new or changed rating system or a "global" rating scale by any such rating agency, the ratings categories shall be adjusted accordingly to a new rating which most closely approximates the ratings currently in effect.

OTHER FEES AND EXPENSES:

Bank Counsel: Estimated at \$25,000 plus fees and expenses, subject to increase if the transaction is not closed within 75 days, if the security or structure of the transaction changes materially, or if other complexities develop.

Termination/Reduction Fee: If the Facility is terminated for any reason within the first year following its delivery, on the date of termination, the Obligor will be required to pay (i) all amounts then due and owing to the Bank and (ii) one year of Facility Fees (Facility Fee multiplied by Facility Amount), less the Facility Fee amount already paid.

If the Facility is permanently reduced within the first year following its delivery, the Obligor will be required to pay all amounts due the Bank to such date relating to such reduced amount plus an amount equal to the Facility Fee that would have been payable through the remainder of the first year on such reduced amount.

Draw and Related Fees: Obligor shall pay to the Bank the following additional fees: (i) a draw fee of \$300.00 at the time of each advance under the Facility; (ii) an amendment fee or transfer fee in a minimum amount of \$2,500.00 plus associated legal expenses; and (iii) all other reasonable fees charged by Bank regarding the Facility.

Increased Costs and Capital Adequacy; Standard increased costs and capital adequacy provisions will be provided for in final documentation.
Taxes:

PAYMENT OF FEES AND EXPENSES:

Timing / Computation of Payments: All fees are non-refundable. Any Upfront Fee and Bank Counsel fees and expenses are payable at closing in immediately available funds. The LOC Fee is based on the Facility Amount, payable quarterly in arrears at the end of each calendar quarter.

Any Termination Fee or Reduction Fee is payable on the date of the LOC's termination or reduction, as applicable.

Obligor shall be responsible for all out of pocket costs and expenses of Bank incurred in connection with the negotiation, execution, delivery, administration and enforcement of the Facility, including, without limitation, the legal fees and expenses of counsel to the Bank, whether or not the Facility closes.

INTEREST RATES:

Base Rate: The greatest of:
(i) the Bank's Prime Rate plus 1.0%;
(ii) the Federal Funds Rate plus 2.0%; or
(iii) 7%

Liquidity Rate: Days 1 – 180: Base Rate.

Thereafter: Term Loan Rate.

Term Loan Rate: Base Rate plus 1.00%.

Default Rate: Base Rate plus 3.00%.

REPAYMENT OF DRAWS:

Liquidity Drawings: Draws under the Facility to pay the purchase price of Bank Bonds are referred to herein as "Liquidity Draws." The interest portion of the Liquidity Draw shall be due and payable on the date of the draw. The

principal portion (“Principal Portion”) of the Liquidity Draw shall bear interest at the Liquidity Rate and shall be payable on or before the 180th day following the date of such Liquidity Drawing except as provided below.

Interest on Liquidity
Draws, and Term Loans:

Interest on each Liquidity Draw and each Term Loan is payable at the Liquidity Rate and the Term Loan Rate, as is applicable, quarterly in arrears, on the first business day of each quarter.

Bonds purchased with the proceeds of a Liquidity Draw shall constitute Bank Bonds. The Bank shall be the registered or beneficial owner of the Bank Bonds. Bank Bonds shall bear interest at the Liquidity Rate payable monthly in arrears on the first business day of each quarter.

Principal on Liquidity
Draws and Term Loans:

So long as no event of default shall have occurred and is continuing and all representations and warranties are true and correct, each Liquidity Loan that is not repaid within 180 days shall automatically convert to a Term Loan. Each Term Loan must be repaid in full in six (6) consecutive, equal semi-annual installments of principal and interest, with the first installment due upon conversion of a Liquidity Loan to a Term Loan.

Bank Bonds shall be subject to redemption on the dates in the amounts on which the principal of each Liquidity Loan or Term Loan is due.

Conditions Precedent
To Funding Under
The Facility:

Timely delivery of duly completed request for Advance, the absence of specified Events of Default and Suspension Events, which pursuant to the published guidelines of the rating agencies and customary practice in this market, permit the suspension or termination of the Banks’ funding obligation.

Prepayment:

The Principal Portion of each Liquidity Draw and each Term Loan may be prepaid at any time without penalty.

SPECIAL EVENTS OF DEFAULT:

The Facility will include the following “Special Events of Default” which will result in the immediate termination of the Bank’s obligations thereunder, automatically and without notice or demand which will include but not be limited to:

1. Failure of the Obligor to pay regularly scheduled interest, principal and sinking fund installments on the Bonds, the Liquidity Draws or Term Loans when due.
2. Failure of the Obligor to pay principal, interest, sinking fund

installments or any other amount payable as debt service on any Parity Debt when due.

3. Invalidity or unenforceability of payment obligations or other material provisions of the Credit Agreement or the Bond Documents or those provisions become null and void for any reason.
4. Voluntary or involuntary bankruptcy, insolvency, debt moratorium, etc.
5. The long term ratings assigned by Moody's, S&P and Fitch to the Bonds or unenhanced Parity Debt are withdrawn or suspended or reduced below Baa3 / BBB- / BBB- (or the equivalent), respectively.
6. Failure by the Obligor to pay when due an uninsured, final, non-appealable judgment or order of \$10,000,000 or more which shall be rendered against the Obligor and such judgment has not been vacated, discharged, satisfied or stayed within a reasonable period of time. And,
7. Any other events permitted by the rating agencies and the market generally.

OTHER EVENTS OF DEFAULT:

Events of Default: In addition to the Special Events of Default, the Facility will include customary events of default including, but not limited to, failure to pay facility fees and other amounts payable under the Credit Agreement; any material representation or warranty of the Obligor is not true when made; breach of covenants; cross-default/cross-acceleration.

REMEDIES UPON EVENT OF DEFAULT:

Remedies Upon Event of Default: Upon the occurrence of a Special Event of Default, the Facility will automatically and immediately be terminated or suspended without notice or demand. Upon the occurrence of any other Event of Default, the Bank can cause a termination of the Facility after notice.

Upon the occurrence of an event that, with the passage of time, may become a Special Event of Default, the obligation of the Bank to fund under the Facility will be suspended.

DOCUMENTATION AND COVENANTS:

Documentation will include the Credit Agreement prepared by Bank Counsel. The Credit Agreement will include, but not be limited to, the terms and conditions outlined herein as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, most favored nations provision, events of default and remedies (including acceleration of the Obligor's obligations under the Facility, if applicable).

Conditions Precedent
To Closing:

Standard for facilities of this type, including but not limited to, evidence satisfactory to the Bank that (a) a CUSIP Number has been obtained and reserved from Standard & Poor's CUSIP Services for the Bank Bonds and (b) Bank Bonds (and their related CUSIP number) shall have been assigned a long-term rating of at least investment grade from at least one rating agency.

Financial and Other
Covenants:

In addition to the covenants contained in the Obligor's other debt instruments, the Bank shall receive the benefit of all covenants, defaults and remedies which are agreed to by the Obligor with any other lender, liquidity provider or credit provider supporting parity obligations of the Obligor or any such liquidity or other covenants that are mutually agreeable, including any additional events of default (but not including any events resulting in an immediate termination or suspension of the Bank's obligation to purchase Bonds).

Reporting Requirements:

Usual and customary for a transaction of this nature, including but not limited to; delivery of audited annual financial statements and certificate of no default within 180 days of fiscal year-end, quarterly investment summary, notices of default and material litigation proceedings.

Banking Relationship:

The Obligor shall maintain its primary operating and depository accounts with the Bank so long as the Facility is in place. Services that the Bank offers to the Obligor shall be offered on a basis competitive with the commercial banking marketplace.

REMARKETING AGENT:

The Obligor shall at all times cause a remarketing agent to be in place, which remarketing agent shall be acceptable to the Bank. The trust indenture, bond resolution and/or remarketing agreement shall provide that (a) the remarketing agent may not resign except upon 60 days prior written notice, (b) the remarketing agent shall use its best efforts to remarket the Bonds and (c) the remarketing agent shall remarket the Bonds at rates up to and including the maximum rate permitted under

the bond documents without regard to the rate paid to the Bank. If at any time the remarketing agent shall fail to perform its duties or shall fail to remarket the Bonds for a period of 30 successive days, the Obligor shall, at the direction of the Bank, appoint a successor remarketing agent acceptable to the Bank.

CHOICE OF LAW / JURY TRIAL / VENUE:

Governing Law: This Term Sheet, the Credit Agreement and any other documents to which the Bank shall become a party will be governed by the laws of the State of North Carolina.

Jury Trial: The Obligor agrees to binding arbitration and to waive a jury trial in any proceeding involving the Bank.

Venue: Any litigation involving the Bank shall be brought in the appropriate North Carolina court having jurisdiction over the matter.

MISCELLANEOUS:

Bank's Credit Ratings:

		Long Term			Short Term		
		Moody's	S&P	Fitch	Moody's	S&P	Fitch
Rating:		Aa3	AA-	AA-	P-1	A-1+	F1+
Outlook:		Negative	Negative	Stable			

Bank Contacts:

Name: Peter Skilton
 Title: Senior Vice President
 Wells Fargo Bank, N.A.
 Address: 301 S. College St., MAC D1053-041
 Charlotte, NC 28288
 Telephone: 704.383.7577
 Facsimile: 704.383.8697
 Email: peter.skilton@wellsfargo.com

Bank Counsel: Chase Coale
 McGuire Woods LLP
 201 N. Tryon St.
 Charlotte, NC 28202
 Tel 704.343.2309
 Fax 704.444.8719

Indemnification: The proposed Facility will include customary indemnification of the Bank in all cases except where the Bank has proven to have been guilty of gross negligence or willful misconduct.

Participations: The Bank reserves the right in its sole discretion to sell participations in the Facility without the consent of or notice to the Obligor, and such participants shall have the benefit of the obligations of the Obligor regarding increased costs and capital adequacy, taxes and indemnification.

Future Modifications: The terms, conditions and pricing are subject to revision in the event that (i) the Facility Amount changes, (ii) the transaction deviates materially from what was initially described, (iii) the proposed financing does not close (other than as a result of action/inaction by the Bank) within 75 days of the execution of the Term Sheet or (iv) events occur resulting in a material disruption of the market.

Confidentiality: This Term Sheet is confidential and proprietary and may not be disclosed without our written consent, except to your professional advisors in connection with the Facility who agreed to be bound by such confidentiality requirements, or as may be required by law.

AGREEMENT BY THE OBLIGOR:

Please evidence your acceptance hereof by signing and returning a copy to the Bank.

Unless this term sheet is earlier rescinded, it shall expire automatically without further action or notice by Bank on 30 days from the date hereof unless a signed counterpart of this Term Sheet shall have been delivered to the Bank.

ACCEPTED AND AGREED TO:

BY: _____ **DATE:** _____

EXHIBIT 2

The District Board of the Metropolitan Sewerage District of Buncombe County met in a regular session in the Boardroom at the District's office in Woodfin, North Carolina, the regular place of meeting, at 2:00 P.M. on May 16, 2012.

Present: Chairperson Steven T. Aceto, presiding, and Board Members _____

Absent: _____

* * * * *

Chairperson Aceto introduced the following resolution, which was read by title and summarized by the General Manager of the District:

RESOLUTION APPROVING SUBSTITUTE LIQUIDITY FACILITIES FOR THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2008A AND SERIES 2008B, APPROVING THE MANDATORY TENDER OF SUCH BONDS IN CONNECTION WITH THE SUBSTITUTE LIQUIDITY FACILITIES AND RELATED ACTIONS

WHEREAS, the Metropolitan Sewerage District of Buncombe County (the "District"), acting by and through its District Board (the "Board"), pursuant to the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the North Carolina General Statutes, as amended, and The State and Local Government Revenue Bond Act of North Carolina, being Article 5 of Chapter 159 of the North Carolina General Statutes, as amended, the District's Amended and Restated Bond Order adopted April 21, 1999 (the "Bond Order"), a Series Resolution Adopted March 25, 2008, as supplemented, Authorizing and Securing Not Exceeding \$35,000,000 District Sewerage System Revenue Refunding Bonds, Series 2008A (the "Series 2008A Resolution") and a Series Resolution Adopted March 25, 2008, as supplemented, Authorizing and Securing Not Exceeding \$25,000,000 District Sewerage System Revenue Refunding Bonds, Series 2008B (the

“Series 2008B Resolution” and together with the Series 2008A Resolution, the “Series Resolutions”) issued on April 1, 2008, \$33,635,000 Sewerage System Revenue Refunding Bonds, Series 2008A (the “Series 2008A Bonds”) and on May 1, 2008, \$22,165,000 Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds” and together with the Series 2008A Bonds, the “Series 2008 Bonds”).

WHEREAS, the Series 2008 Bonds were issued as variable rate demand bonds initially bearing interest at a weekly rate;

WHEREAS, the Board has determined pursuant to the terms of the Series Resolutions to terminate the existing Liquidity Facilities (as that term is defined in the Series Resolutions) provided by Bank of America, N.A. and replace such Liquidity Facilities with Substitute Liquidity Facilities (as that term is defined in the Series Resolutions) provided by Wells Fargo Bank National Association (the “Liquidity Provider”);

WHEREAS, the District shall provide notices to Bank of America, N.A. and the Trustee, the Tender Agent and the Remarketing Agent for the Series 2008 Bonds of the termination of the existing Liquidity Facilities and the replacement thereof with the Substitute Liquidity Facilities;

WHEREAS, the District has determined to provide for the mandatory tender of the Series 2008 Bonds in connection with the replacement of the existing Liquidity Facilities with the Substitute Liquidity Facilities and provide notice of such mandatory tender to the Owners (as that term is defined in the Series Resolutions) of the Series 2008 Bonds (the “Mandatory Tender”) pursuant to the terms of the Series Resolutions;

WHEREAS, there has been presented to the Board drafts of the Substitute Liquidity Facilities in the form of Standby Bond Purchase Agreements between the District and the Liquidity Provider (the “Standby Bond Purchase Agreements”) and a Remarketing Circular describing the Mandatory Tender and the Liquidity Facilities (the “Remarketing Circular”);

WHEREAS, the Board has duly reviewed the forms of the Standby Bond Purchase Agreements and Remarketing Circular and has determined that each is in acceptable form; and

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY:

Section 1. The Board hereby approves the form of the Substitute Liquidity Facilities and approves Wells Fargo Bank National Association as Liquidity Provider for the Series 2008 Bonds. The Chairperson of the Board and the General Manager and Finance Director of the District, be, and they hereby are authorized, directed and empowered to execute and deliver, in the name and on behalf of the District the Substitute Liquidity Facilities in such form and containing substantially the terms and provisions therein contained, with such additions and modifications as shall be approved by the officer executing the Substitute Liquidity Facilities the execution thereof by such officer being conclusive evidence of such approval.

Section 2. The Board directs the Director of Finance to cause notice of the termination of the existing Liquidity Facilities and the replacement of such existing Liquidity Facilities with the Substitute Liquidity Facilities to the trustee, tender agent, remarketing agent of the Series 2008 Bonds along with notice to the North Carolina Local Government Commission (the “Local Government Commission”) and necessary rating agencies.

Section 3. The Board hereby authorizes the filing of an application with the Local Government Commission for approval of the Substitute Liquidity Facilities and the Mandatory Tender and hereby directs Thomas Hartye, General Manager of the District, and W. Scott Powell, Director of Finance of the District, as representatives of the District, to file such application with the Local Government Commission.

Section 4. The Board hereby directs the Director of Finance to cause the Bank of New York Mellon Trust Company, N.A. as trustee and tender agent for the Series 2008 Bonds to provide

notice of Mandatory Tender of the Series 2008 Bonds to the owners of the Series 2008 Bond pursuant to the terms of the Series Resolutions.

Section 5. The Board hereby approves the form of the Remarketing Circular and directs the Director of Finance to approve the dissemination of such Remarketing Circular in connection with the Mandatory Tender of the Series 2008 Bonds. The Chairperson of the Board and the General Manager and Finance Director of the District, be, and they hereby are authorized, directed and empowered to execute and deliver, in the name and on behalf of the District the Remarketing Circular in such form and containing substantially the terms and provisions therein contained, with such additions and modifications as shall be approved by the officer executing the Remarketing Circular the execution thereof by such officer being conclusive evidence of such approval.

Section 6. The General Manager of the District and the Director of Finance of the District are hereby authorized to execute and deliver on behalf of the District such other agreements, documents, closing papers and certificates as they shall deem necessary or desirable in connection with the replacement of the existing Liquidity Facilities, the execution and delivery of the Substitute Liquidity Facilities, the Mandatory Tender of the Series 2008 Bonds and the remarketing of the Series 2008 Bonds.

Section 7. The execution and delivery by the officers of the Board or District of the Substitute Liquidity Facilities and the Remarketing Circular, and any other agreements, documents, closing papers and certificates executed and delivered pursuant to this Resolution shall be conclusive evidence of their approval of the changes, if any, in the forms thereof and of their authority to execute and deliver such agreements, documents, certificates and closing papers on behalf of the District.

Section 8. All actions taken by the District and the members, officers and employees of District in connection with the replacement of the existing Liquidity Facilities with the Substitute

Liquidity Facilities, the Mandatory Tender of the Series 2008 Bonds and the remarketing of the Series 2008 Bonds are hereby ratified and confirmed.

Section 9. This resolution shall take effect immediately upon its passage.

Thereupon, upon motion of Board Member _____, seconded by Board Member _____, the resolution entitled “RESOLUTION APPROVING SUBSTITUTE LIQUIDITY FACILITIES FOR THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2008A AND SERIES 2008B, APPROVING THE MANDATORY TENDER OF SUCH BONDS IN CONNECTION WITH THE SUBSTITUTE LIQUIDITY FACILITIES AND RELATED ACTIONS” was adopted by the following vote:

Ayes: Board Members _____

_____.

Noes: _____.

The Chairperson then announced that the resolution entitled: “RESOLUTION APPROVING SUBSTITUTE LIQUIDITY FACILITIES FOR THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2008A AND SERIES 2008B, APPROVING THE MANDATORY TENDER OF SUCH BONDS IN CONNECTION WITH THE SUBSTITUTE LIQUIDITY FACILITIES AND RELATED ACTIONS” had been adopted.

STANDBY BOND PURCHASE AGREEMENT 2008A Bonds

THIS STANDBY BOND PURCHASE AGREEMENT, dated as of June 1, 2012, and entered into by and between the **METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA**, a public body and body politic and corporate duly created and validly existing under the laws of the State of North Carolina (the "*District*") and **WELLS FARGO BANK, NATIONAL ASSOCIATION.**, a national banking association organized and existing under the laws of the United States of America (in its capacity hereunder as provider of the liquidity facility for the 2008A Bonds (hereinafter defined), but in no other capacity, the "*Bank*").

WHEREAS, the District has previously issued its Sewerage System Revenue Refunding Bonds, Series 2008A (the "*2008A Bonds*") in the aggregate principal amount of \$33,635,000 pursuant to the terms of the Series Resolution adopted by the governing board of the District on March 25, 2008 (the "*Series Resolution*") of which \$33,095,000 is currently outstanding; and

WHEREAS, pursuant to the terms of the 2008A Bonds and the Series Resolution, the 2008A Bonds are subject to optional or mandatory tender for purchase on certain days and upon the occurrence of certain events; and

WHEREAS, the District desires to provide for a substitute liquidity facility pursuant to which the Bank would agree, under certain circumstances, to purchase all 2008A Bonds that are subject to optional or mandatory tender for purchase under the Series Resolution and for which other sufficient funds are not available under the Series Resolution, and the Bank is willing to agree to purchase such 2008A Bonds subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms.

(a) As used in this Agreement and unless otherwise expressly indicated, or unless the context clearly requires otherwise, the following terms, in addition to the words and terms defined above, have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accrued Interest Fee" has the meaning set forth in Section 2.04(a) of this Agreement.

"Agreement" means this Standby Bond Purchase Agreement, as the same may be amended or supplemented from time to time.

"Bank Bond" means a 2008A Bond which was purchased by the Bank under this Agreement, which is registered in the name of the Bank or its nominee and which has not been remarketed to a new holder by the Remarketing Agent or retained by the Bank pursuant to Section 2.04(f) of this Agreement.

"Bank Bond Rate" for any Bank Bond means (i) during the first one hundred eighty (180) day period following the date of purchase, a variable rate of interest equal to the Base Rate and (ii) thereafter, a variable rate of interest per annum equal to the Base Rate plus one percent (1.0%); provided, however, that the Bank Bond Rate shall not exceed the Maximum Rate; and provided further however that in no event shall the Bank Bond Rate be less than the highest rate of interest borne by any 2008A Bond that is not a Bank Bond.

"Base Rate" means, for any day, a rate per annum equal to the highest of (i) the Prime Rate plus 1.0%, (ii) the Federal Funds Rate plus 2.0% or (iii) 7.0%; provided, however, that the Base Rate shall not exceed the Maximum Rate.

"Bond Order" means the amended and restated bond order adopted by the governing board of the District on April 21, 1999.

"Bond Registrar" means The Bank of New York Mellon Trust Company, N.A., or any successor appointed pursuant to the terms of the Series Resolution.

"Business Day" means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Trustee, the Tender Agent, the Remarketing Agent, the Bond Registrar or the District are located, or in which the office of the Bank from which payments are made pursuant to this Agreement is located, are authorized or required to remain closed, or (ii) a day on which The New York Stock Exchange is closed.

"Closing Date" means June [12], 2012.

"Commitment" means, at any time, the sum of the Principal Commitment and the Interest Commitment then in effect.

"Commitment Rate" means 0.53% per annum. The Commitment Rate shall be increased to the per annum percentage described in the chart below if the debt rating assigned by the Rating Agencies to the unsecured long term debt of the District, without regard to third party credit enhancement, falls to the corresponding levels specified below. Such increase shall be effective as of the Facility Fee Payment Date immediately prior to which the rating change occurs. The Commitment Rate shall be the percentage listed below which corresponds to the lowest debt rating assigned to the District specified in the schedule below:

<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Facility Fee % Per Annum</u>
AA-	Aa3	AA-	0.58
A+	A1	A+	0.68
A	A2	A	0.78
A-	A3	A-	0.88
BBB+	Baa1	BBB+	1.13
BBB	Baa2	BBB	1.48
BBB-	Baa3	BBB-	1.98

provided, however, that the Commitment Rate shall be immediately increased to 2.98% upon (1) the occurrence of an Event of Default or (2) if any Rating Agency then rating the District's parity debt (a) withdraws or suspends, for any reason (other than the defeasance or payment in full of the 2008A Bonds), the debt rating assigned to such indebtedness or (b) assigns a rating which is below investment grade (as specified by such Rating Agency).

References in the table above are to rating categories as presently determined by the rating agencies, and in the event of the adoption of any new or changed rating system or a "global" rating scale by any such rating agency, the ratings categories shall be adjusted according to the new rating which most closely approximates the ratings currently in effect.

"Default" means any event or condition which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means a variable rate of interest equal to the Base Rate plus three percent (3.0%).

"Event of Default" has the meaning set forth in Section 6.01 of this Agreement.

"Event of Immediate Termination" means an Event of Default described in any of Sections 6.01(a)(1) through (6), inclusive, of this Agreement.

"Event of Notice Termination" means an Event of Default described in any of Sections 6.01(b)(1) through (6), inclusive, of this Agreement.

"Expiration Date" means, initially, the Initial Expiration Date and, thereafter, such later date as may be agreed to in writing by the Bank and the District.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the District.

"Fee Payment Date" means, with respect to each Bank Bond, each January 1, April 1, July 1 and October 1 following the date on which such Bank Bond became a Bank Bond.

"Holder" means (i) the Bank for so long as the Bank or its nominee or custodian is a holder of any Bank Bond purchased hereunder and (ii) any other holder of any Bank Bond to whom the Bank has assigned its rights under this Agreement.

"Holding Period" means, as to any Bank Bond, the period commencing on the date of purchase of such Bank Bond by the Bank hereunder and ending on the date on which the Bank receives the unpaid principal amount of such Bank Bond, all accrued but unpaid interest thereon at the Bank Bond Rate and the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bond, or a purchase price for such Bank Bond corresponding to the unpaid principal amount thereof, all accrued but unpaid interest thereon at the Bank Bond Rate and the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bond.

"Indebtedness" means (i) all indebtedness of the District for borrowed money and (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by the District, which are payable from the same source of funds as the 2008A Bonds.

"Initial Expiration Date" means June 12, 2015.

"Interest Commitment" means, initially, an amount equal to \$380,820.00, computed as the interest on the outstanding principal amount of the 2008A Bonds for a period of 35 days in a year of 365/366 days and calculated at the rate of 12.0% per annum, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Principal Commitment bears to the initial Principal Commitment as of the date of such reduction, and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Principal Commitment bears to the initial Principal Commitment as of the date of such increase.

"Interest Payment Date" has the meaning set forth in Section 1 of the Series Resolution.

"Interest Rate" means the rate of interest on the 2008A Bonds calculated as described in the 2008A Bonds and the Series Resolution.

"Maximum Rate" means 25% or the highest rate of interest permitted by applicable law.

"Non-Weekly Rate" means any rate other than the Weekly Rate for the 2008A Bonds determined in accordance with the Series Resolution, regardless of whether any such rate is in effect to the maturity date of the 2008A Bonds.

"Notice of Non-Extension" means a written notice delivered by the Bank to the District, each Rating Agency, the Trustee, the Tender Agent and the Remarketing Agent to the effect that the term of this Agreement will not be extended beyond the Expiration Date then in effect.

"Official Statement" means the Official Statement dated March 27, 2008 relating to the sale of the 2008A Bonds, including the Appendices attached thereto and any documents incorporated by reference therein, as supplemented by the Remarketing Circular.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Prime Rate" means, on any day, the rate of interest per annum then most recently established by the Bank as its "Prime Rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and the Bank may make various business or other loans at rates of interest having no relationship to such rate. The Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

"Principal Commitment" means, initially, \$33,095,000, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Principal Commitment pursuant to Section 2.03 of this Agreement; (b) downward by the principal amount of any 2008A Bonds purchased by the Bank pursuant to Section 2.01 of this Agreement as of the date of such purchase; (c) upward by the principal amount of any 2008A Bonds theretofore purchased by the Bank pursuant to Section 2.01 of this Agreement, and which are retained by the Bank under Section 2.04(f) of this Agreement or repurchased by the District under Section 2.04(f) of this Agreement and not redeemed; and (d) upward by the principal amount of any 2008A Bonds theretofore purchased by the Bank pursuant to Section 2.01 of this Agreement, and which are remarketed by the Remarketing Agent pursuant to the Remarketing Agreement.

"Principal Office of the Bank" means the office of the Bank located at 301 S. College Street, 4th Floor – D1053-041, Charlotte, North Carolina 28202, or such other office of the Bank as the Bank designates from time to time in writing to the District, the Trustee, the Tender Agent and the Remarketing Agent.

"Purchase Certificate" has the meaning set forth in Section 2.02(a)(ii) of this Agreement.

"Purchase Date" means any date on which the Bank is obligated to purchase 2008A Bonds pursuant to the Series Resolution and Section 2.01 of this Agreement.

"Purchase Price" means, with respect to any 2008A Bond or 2008A Bonds to be purchased on any Purchase Date, the aggregate principal amount thereof plus, unless the Purchase Date is an Interest Payment Date, interest accrued and unpaid thereon to such date.

"Rating" means the long-term unenhanced rating assigned to the District's outstanding bonds; provided, however, if there shall be a discrepancy in such ratings among the three Rating Agencies, the Rating shall be determined by the lowest of such three ratings.

"Rating Agency" means each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. and Fitch, Inc., or their respective successors and assigns.

"Related Documents" means the 2008A Bonds, the Bond Order, the Series Resolution, the Remarketing Agreement and the Tender Agreement.

"Remarketing Agent" means Wells Fargo Bank, National Association, or any successor appointed pursuant to the terms of the Series Resolution.

"Remarketing Agreement" means the Remarketing Agreement originally between the District and Banc of America Securities LLC, dated as of March 1, 2008 and assumed by the Remarketing Agent in a letter agreement dated November 17, 2011, as the same may be modified, amended or supplemented from time to time.

"Remarketing Circular" means the Remarketing Circular dated June [7], 2012 supplementing the Official Statement following the effectiveness of this Agreement and any documents incorporated by reference therein.

"Series Resolution" has the meaning set forth in the opening paragraph of this Agreement.

"State" means the State of North Carolina.

"Tender Agent" means the agent appointed from time to time under Section 15(A)(ii) of the Series Resolution.

"Tender Agreement" means the Tender Agent Agreement, dated as of March 1, 2008 [and assumed by the Remarketing Agent in a letter agreement dated May __, 2012] among the Trustee, the District, the Bond Registrar, the Tender Agent and the Remarketing Agent, as supplemented or amended.

"Termination Date" means the earliest to occur of the following (i) the Expiration Date, (ii) the date on which this Agreement terminates in accordance with Section 6.02 of this Agreement, (iii) the date on which the District terminates this Agreement in accordance with Section 2.09(c) or (d) of this Agreement, or (iv) the date on which the Bank receives a certificate from the Tender Agent in the form of Exhibit B (unless the District and the Bank have negotiated an amendment to this Agreement pursuant to Section 2.11 of this Agreement) or Exhibit C attached hereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor appointed pursuant to the terms of the Bond Order.

"2008A Bond" or "2008A Bonds" has the meaning set forth in the recitals of this Agreement.

Section 1.02. Other Words and Terms. All accounting terms used herein not expressly defined in this Agreement have the meanings respectively given to such terms in accordance with generally accepted accounting principles. All other capitalized words and terms used herein have the same meaning set forth in the Series Resolution or the Bond Order, each as in effect on the Closing Date, unless the context hereof clearly indicates a different meaning is intended.

Section 1.03. Local Time. All references to a particular time of day set forth in this Agreement are to the time in New York, New York.

ARTICLE II

BOND PURCHASE OBLIGATION AND FEES

Section 2.01. Commitment to Purchase 2008A Bonds. The Bank agrees with the District, on the terms and conditions contained in this Agreement, to purchase 2008A Bonds (excluding 2008A Bonds registered in the name of the District) from time to time on the Purchase Dates at the Purchase Price and to comply with its duties as set forth in the Series Resolution. The aggregate principal amount of any 2008A Bond or 2008A Bonds purchased on any Purchase Date shall not exceed the Principal Commitment on such date. Such 2008A Bond or 2008A Bonds may be in any denomination authorized by the Series Resolution. The aggregate amount of the Purchase Price comprising interest on any Purchase Date with respect to the 2008A Bond or 2008A Bonds purchased on such Purchase Date shall not exceed the lesser of (i) the Interest Commitment on such Purchase Date

attributable to such 2008A Bond or 2008A Bonds, or (ii) the actual amount of interest accrued on such 2008A Bond or 2008A Bonds as of such Purchase Date.

Any 2008A Bonds so purchased shall become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Rate and have other characteristics as set forth in the Series Resolution and the 2008A Bonds. Except as otherwise provided herein, principal and interest on Bank Bonds shall be payable as provided in the Series Resolution, as if such Bonds were not Bank Bonds.

Section 2.02. Method of Purchasing.

(a) The Bank agrees to purchase 2008A Bonds as described in Section 2.01 of this Agreement on satisfaction of the following conditions:

(i) if the 2008A Bonds are in physical form, delivery to the Tender Agent of 2008A Bonds in a form ready for transfer, properly endorsed or accompanied by documents of transfer satisfying the requirements of the Series Resolution, or registered in the name of the Bank or its agent or custodian in accordance with the terms of the Series Resolution, in the aggregate principal amount which, together with interest accrued thereon, if any, due in accordance with the Series Resolution, equals the amount set forth in the Purchase Certificate referred to and defined in subparagraph (ii) below; but if a book-entry system with respect to the 2008A Bonds is in effect, the 2008A Bonds shall be tendered or deemed tendered for purposes of this Section 2.02(a)(i) on receipt by the Bank of notice from the Tender Agent that 2008A Bonds are being tendered for purchase (which notice may be satisfied by delivery of a Purchase Certificate); and

(ii) presentation (including presentation by telegram, telex, telecopier or other telecommunication device) at the Principal Office of the Bank of a purchase certificate (a "*Purchase Certificate*"), in the form of Exhibit A attached hereto and by this reference made a part hereof, completed and signed by a duly authorized officer of the Tender Agent and dated the date such Purchase Certificate is presented hereunder.

(b) The Bank hereby agrees, subject to the terms and conditions of this Agreement, that 2008A Bonds will be purchased on a Business Day on satisfaction of the foregoing requirements. If the Purchase Certificate is received by the Bank at or before 11:30 A.M. on a Business Day, and provided that the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount specified shall be remitted by federal wire transfer to the Tender Agent (or as directed by the Tender Agent) in immediately available funds by 1:30 P.M. on the same Business Day. If the Purchase Certificate is received after 11:30 A.M. on a Business Day, and provided that the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount specified shall be remitted by federal wire transfer to the Tender Agent (or as directed by the Tender Agent) in immediately available funds by 1:30 P.M. on the next succeeding Business Day. All purchases of 2008A Bonds by the Bank hereunder shall be made with its own funds.

(c) The Bank shall not have any responsibility for, or incur any liability for, any act, or any failure to act, whether by the Tender Agent or any person other than the Bank, which results in the failure of the Tender Agent (i) to credit the proper account designated in writing to the Bank by the Tender Agent with funds made available to the Tender Agent by the Bank pursuant to Section 2.02(b) of this Agreement, or (ii) to purchase 2008A Bonds with such funds pursuant to this Section 2.02 and the Series Resolution.

Section 2.03. Reduction of Principal Commitment. The Bank's obligation to purchase the 2008A Bonds is limited to the Commitment. Immediately after any redemption, repayment or other payment of all or any portion of the 2008A Bonds or the payment in full of any 2008A Bonds on their stated maturity date, the Principal Commitment of the Bank shall automatically be reduced by the aggregate principal amount of the 2008A Bonds so redeemed or paid in full and the District shall promptly notify the Bank in writing of the aggregate principal amount of 2008A Bonds so redeemed or paid in full. Each such reduction in the Principal Commitment thereby immediately results in a pro rata reduction in the Interest Commitment.

Section 2.04. Accrued Interest Fees; Calculation of Interest; Right of the District to Purchase Bonds.

(a) The District shall pay directly to the Bank a fee (the "*Accrued Interest Fee*") for each Bank Bond equal to the product of (i) the amount of accrued interest, if any, paid by the Bank to purchase such Bank Bond which is not repaid to the Bank on the same Business Day, multiplied by (ii) the Bank Bond Rate, calculated as provided in Section 2.04(c) of this Agreement. The District and the Bank acknowledge and agree that all amounts to be paid to the Bank pursuant to this Agreement representing Accrued Interest Fees shall be treated as interest and secured by the Bond Order on a parity with all other bonds Outstanding under the Bond Order.

(b) The Accrued Interest Fee for each Bank Bond is payable on the earliest to occur of the following (i) the next Fee Payment Date, (ii) the last day of the Holding Period for such Bank Bond, (iii) the maturity of such Bank Bond whether by acceleration or call for redemption or otherwise, (iv) the Expiration Date or the Termination Date, as applicable, and (v) after the times specified in clauses (i) and (iv) above, on demand.

(c) Accrued Interest Fees and interest shall be calculated on the basis of a fraction, (i) the numerator of which is the total number of days from the Purchase Date of such Bank Bond or the date the relevant payment is due, as applicable, to the date such Accrued Interest Fees or accrued interest is paid to the Bank by the District, the Trustee or otherwise and (ii) the denominator of which is 360.

(d) Except as otherwise provided in this Agreement, any amount not paid when due hereunder shall bear interest for each day it is outstanding, payable on demand at a per annum rate equal to the Default Rate.

(e) Nothing herein shall be construed to require payment of a rate of interest plus, if applicable, an Accrued Interest Fee, assuming any such Accrued Interest Fee were treated as interest, that in the aggregate exceeds the Maximum Rate.

(f) Subject to the next to the last sentence of this Section 2.04(f), the District has the right to purchase any Bank Bond during the Holding Period thereof. On receipt by the Bank of notice from the District by 10:30 A.M. on the date of sale (which shall be a Business Day), which notice states that the District is exercising its right to purchase any Bank Bond and the aggregate unpaid principal amount of the Bank Bonds to be sold by the Bank to the District on such date, the Bank, subject to the next to last sentence of this Section 2.04(f), shall sell to the District an aggregate principal amount of Bank Bonds for which payment has been made in immediately available funds, including interest accrued on the Bank Bonds to the date of sale. If any Accrued Interest Fee has accrued on such Bank Bonds, the District shall pay to the Bank such amounts due on the date of such sale. If the Bank elects not to sell any Bank Bonds to the District in accordance with this Section 2.04(f), which election shall be irrevocable, notice of such election shall be given promptly to the District and from the date notice of such election is given by the Bank to the District interest on such Bank Bonds shall thereafter accrue at the Interest Rate. Any sale of a Bank Bond by the Bank to the District pursuant to this Section 2.04(f) is without recourse to the Bank and without representation or warranty by the Bank of any kind.

Section 2.05. Facility Fee; Drawing Fee; Administrative Fees.

(a) The District hereby agrees to pay directly to the Bank, quarterly in arrears on each January 1, April 1, July 1 and October 1, beginning July 1, 2012 (each a "*Facility Fee Payment Date*") a nonrefundable facility fee (the "*Facility Fee*") computed pursuant to the following formula:

$$FF = \frac{CR \times C \times DE}{360}$$

- FF = commitment fee payable on the applicable payment date
- CR = Commitment Rate
- C = the amount of the Commitment in effect on the applicable payment date (after payment of the principal amount of any 2008A Bonds on such date)
- DE = actual number of days in the applicable period

The Facility Fee shall be payable on each Facility Fee Payment Date and shall be computed as of the date of such payment on the basis of a 360-day year, actual days elapsed, from and including the preceding Facility Fee Payment Date to, but excluding, the Facility Fee Payment Date for which such payment is due.

In the event of a change in the Commitment Rate in effect during the term of this Agreement, the commitment fee for such period shall be recomputed to take into account the number of days during such period for which different Commitment Rates are in effect. Any increased commitment fee will be due and payable by the District in arrears on the next Facility Fee Payment Date. The Bank will provide notice to the District of any additional fee payment due under this Section 2.05.

In the event this Agreement is terminated prior to June [12], 2013, the District will pay to the Bank on the termination date an amount equal to all the fees and expenses that would have been due under the Agreement through June [12], 2013, unless at the time of such termination the rating on the Bank's senior unsecured short-term obligations has been withdrawn or suspended or has been reduced by any Rating Agency to a rating of less than "P-1" or "A-1" (or the equivalent).

In the event the Commitment is permanently reduced prior to June [12], 2013, the District will pay to the Bank on the permanent reduction date an amount equal to all the fees and expenses that would have been due under the Agreement through June 30, 2013, if no such reduction had occurred.

(b) The District shall pay \$300 as an administrative fee in connection with each drawing of funds hereunder payable upon receipt of written notice from the Bank that such amount is due.

(c) The District shall pay \$2,500 as an administrative fee, plus reasonable attorney's fees and expenses, in connection with any amendment, transfer, standard waiver or consent request in connection with this Agreement.

(d) The District shall pay all other reasonable fees charged by the Bank regarding this Agreement.

Section 2.06. General Provisions as to Payments. Notwithstanding any provision to the contrary contained herein, the District shall cause all amounts then due and payable to the Bank pursuant to this Agreement to be paid not later than 12:00 p.m. on the date when due in immediately available funds at the Principal Office of the Bank or at such other place as the Bank may designate in writing to the District. If any such amount is payable on a day that is not a Business Day, then such due date is extended to the next succeeding Business Day, and interest and Accrued Interest Fees for such Bank Bond or such other amount shall continue to accrue during such extension. Any such amounts due to the Bank hereunder which are received by the Bank after 12:00 p.m. on the date when due shall, for the purpose of calculating interest or Accrued Interest Fees hereunder, be deemed to be received by the Bank on the next succeeding Business Day. All fees are non-refundable.

Section 2.07. Mandatory Redemption of Bank Bonds; Obligation by District to Purchase Bank Bonds.

(a) Notwithstanding anything to the contrary contained in such Bond, the District agrees that, with respect to each Bank Bond, (i) such Bank Bond shall be redeemed in whole in six (6) consecutive, equal semi-annual installments of principal and interest at the Bank Bond Rate (unless an Event of Default has occurred, in which case the Default Rate would apply), such payments to commence on first May 1 or November 1 that is at least 180 days following the applicable Purchase Date of such Bank Bond, and continuing on each May 1 and November 1 thereafter until fully paid. In any event, all principal and accrued and unpaid interest shall be due and payable on the third anniversary of such Purchase Date (or if such Purchase Date is not a Business Day, on the next preceding Business Day). In the event any Bank Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Bond Rate, the provisions of this Section 2.07 shall continue to apply to such indebtedness until all sums for all periods during which the same was a Bank Bond are paid.

(b) The redemption price of each Bank Bond redeemed pursuant to Section 2.07(a) shall be equal to the sum of: (i) the unpaid principal amount of such Bank Bonds; (ii) all accrued but unpaid interest thereon at the

Bank Bond Rate (calculated in accordance with the provisions of the Series Resolution applicable to Bank Bonds) to the date of such purchase; and (iii) the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bonds to the date of such purchase. Any sale of a Bank Bond pursuant to this Section 2.07 shall be without recourse to the Bank and without representation or warranty of any kind.

Section 2.08. Notice of Sale. The Bank shall promptly notify the District of any sale by the Bank (other than a sale pursuant to Section 2.04(f) of this Agreement) of Bank Bonds.

Section 2.09. Term of Agreement; Extensions of Term; Termination by District.

(a) The term of this Agreement begins on the Closing Date and ends on the Termination Date.

(b) The initial term of this Agreement is stated to expire, subject to earlier termination under certain circumstances, on the Initial Expiration Date. Upon written request of the District, which must be received by the Bank not less than 90 days prior to the Initial Expiration Date (or the then-scheduled Expiration Date, if previously extended), the initial term of this Agreement may be extended in the discretion of the Bank for an additional term not exceeding three (3) years pursuant to a written agreement mutually acceptable to the District and the Bank. The Bank shall endeavor in good faith to deliver a Notice of Non-Extension to the District at least 30 days before the Initial Expiration Date (or the then-scheduled Expiration Date, if previously extended); however, failure by the Bank to deliver a Notice of Non-Extension shall not obligate the Bank to extend the term of this Agreement or act as an extension thereof. The Bank may determine not to extend the term of this Agreement in its sole discretion and no course of dealing or other circumstance shall require the Bank to extend the term of this Agreement.

(c) This Agreement may be terminated (including any termination in connection with replacement of the Liquidity Facility in accordance with Section 2(G) of the Series Resolution) at any time at the written request of the District on satisfaction of all conditions specified in subsections (i) and (ii) below:

(i) the District has given not less than 90 days' prior written notice to the Bank, the Remarketing Agent, the Trustee, the Tender Agent and each Rating Agency that the District intends to terminate this Agreement;

(ii) all amounts then owing to the Bank hereunder have been paid in full.

(d) If, in connection with a proposed conversion of the 2008A Bonds to a Non-Weekly Rate pursuant to the Series Resolution, the District and the Bank fail to negotiate mutually agreeable amendments to this Agreement as described in Section 2.11 of this Agreement, the District, upon receipt of written notice from the Bank declining to amend this Agreement and provided all amounts owing to the Bank hereunder have been paid in full, may terminate this Agreement by giving 30 days' prior written notice to the Bank.

Section 2.10. Payments in Respect of Increased Costs.

(a) If at any time after the date hereof, and from time to time, the Bank determines that the adoption or modification of any applicable law, rule or regulation regarding taxation, the Bank's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with any of such requirements, has or would have the effect of (i) increasing the Bank's costs relating to the obligations hereunder to a level above, or (ii) reducing the yield or rate of return of the Bank on the obligations hereunder to a level below, that which would have obtained but for the adoption or modification of any such requirements, the District shall, within 30 days of any request by the Bank, pay to the Bank, upon receipt from it of a written invoice setting forth the amount (and the calculations with respect thereto) which the Bank in good faith determines will compensate it for such increase in costs or reduction in yield or rate of return. The Bank will attempt to deliver any such invoice to the District within a reasonable period of time after the occurrence of any of the events described in this Section 2.10(a), but no failure by the Bank to immediately or promptly demand payment of any additional amounts payable hereunder shall constitute a waiver of the Bank's right to demand payment of such amounts at any subsequent time. Nothing herein contained shall be construed or

so operate as to require the District to pay any interest, fees, costs or charges greater than is permitted by applicable law.

(b) If for any reason the District is charged with any amount pursuant to Section 2.10(a) of this Agreement as a result of an increase in a cost to or payment by the Bank or decrease in amount payable to the Bank, and any such cost to the Bank is subsequently reduced, any such amount receivable by the Bank is subsequently increased or any such required payment by the Bank is subsequently reduced, then the Bank will promptly so notify the District, and the amounts due thereafter to the Bank under Section 2.10(a) shall be reduced by the amount of such reduction or increase; provided, however, that such amounts shall not be reduced below zero.

Section 2.11. Adjustment of Interest Commitment. If the District determines to convert the 2008A Bonds from the Weekly Rate to any other Interest Rate pursuant to the Series Resolution, the District and the Bank may negotiate amendments to this Agreement, including amendments to increase the Interest Commitment and to increase any fees payable under this Agreement. Nothing in this Agreement, however, shall be construed as requiring either party to negotiate any such changes or to enter into any such amended agreement except upon terms agreeable to such party. If the District and the Bank fail to negotiate mutually agreeable amendments to this Agreement, the District may terminate this Agreement as provided in Section 2.09(d) of this Agreement.

Section 2.12. Remarketing of Bank Bonds. The Bank expressly reserves the right to direct the Remarketing Agent to remarket Bank Bonds to purchasers identified by the Bank.

ARTICLE III

CONDITIONS PRECEDENT

In addition to the conditions precedent set forth in Section 2.02 of this Agreement, the obligation of the Bank under this Agreement to purchase 2008A Bonds is subject to the following conditions precedent.

Section 3.01. Receipt of Closing Documents. The Bank has received on or before the Closing Date the following, each dated such date and in such form and substance as is satisfactory to the Bank and its counsel:

(a) a certified copy of the resolution(s) of the District authorizing the execution, delivery and performance of this Agreement and each of the Related Documents and the consummation of the transactions contemplated hereby and thereby;

(b) a certificate of the District certifying the names and true signatures of the officers and officials of the District authorized to sign this Agreement;

(c) an opinion of counsel for the District, in form and substance satisfactory to the Bank;

(d) an unqualified tax-exempt opinion of bond counsel, addressed to the Bank or upon which the Bank may rely, as to such matters as the Bank may reasonably request;

(e) an executed original of this Agreement and a copy of the Related Documents;

(f) a certificate of the District, dated the Closing Date, to the effect that (i) no Default or Event of Default has occurred and is continuing on such date and (ii) the representations and warranties contained in Section 4.01 of this Agreement are true and correct as though made on such date;

(g) evidence that each of the Rating Agencies has assigned the 2008A Bonds a long-term rating of not less than AA or its equivalent;

(h) a copy of the District's audited financial statements for its fiscal year ended June 30, 2011;

(i) evidence that a CUSIP number and a rating of at least investment grade has been obtained and reserved from S&P for the Bank Bonds; and

(j) such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

Section 3.02. Conditions Precedent on Each Date of Purchase. On each date on which 2008A Bonds are to be purchased by the Bank pursuant to Section 2.01 of this Agreement, no Event of Immediate Termination shall have occurred and be continuing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations and Warranties by District. The District respectively represents and warrants as follows:

(a) The District is a public body and body politic and corporate, duly created, validly existing and in good standing under the laws of the State of North Carolina, has the power to enter into this Agreement and the Related Documents to which it is a party and has duly authorized the execution and delivery of this Agreement and the Related Documents to which it is a party.

(b) At one or more meetings of the governing body of the District that was duly called and at which a quorum was present and acting throughout, the governing body of the District duly approved such execution and delivery by the District.

(c) No further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "Blue Sky" laws of any jurisdiction) is legally required with respect to the execution, delivery and performance by the District of this Agreement and the Related Documents to which the District is a party.

(d) The approval, execution and delivery by the District of this Agreement and the Related Documents to which it is a party and compliance with the provisions thereof, under the circumstances contemplated thereby and hereof, do not and will not conflict with, constitute a breach of or default under, or result in the creation of a lien on any property of the District (except as contemplated therein) pursuant to applicable law or any indenture, bond order, agreement or other instrument to which the District is a party or by which the District is bound, or conflict with or violate any applicable law, administrative rule, regulation, judgment, court order or consent decree to which the District is subject.

(e) This Agreement and the Related Documents to which the District is a party are the valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors rights generally.

(f) All data, certificates, reports, statements, documents and other information furnished to the Bank by or on behalf of the District in connection with this Agreement and the Related Documents to which it is a party were, at the time the same were so furnished, correct in all material respects and did not contain any untrue statement of a material fact, and there has been no material adverse change in the condition of the District, financial or otherwise, subsequent thereto.

(g) The statements and information contained in the Remarketing Circular with respect to the affairs of the District do not contain or include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the District as set forth in [or incorporated by reference in] the Remarketing Circular, present fairly the financial condition of the District as of the respective dates and the results

of operations for the respective periods set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, or, to the best knowledge of the District, threatened against or affecting the District (or to the best of the District's knowledge is there any basis in fact therefor) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Agreement or any of the Related Documents to which it is a party or which, in any way, could adversely affect the validity or enforceability of this Agreement or any of the Related Documents to which it is a party or any other agreement or instrument to which the District is a party and which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement and the Related Documents to which it is a party.

(i) The audited financial statements of the District for the fiscal year ended June 30, 2011, previously supplied to the Bank, present fairly the financial position of the District for the period specified, and such financial reports and statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects for the period involved, except as may otherwise be stated in the notes thereto. There are no material liabilities, direct or indirect, fixed or contingent, of the District that are not reflected in said financial statements or in the notes thereto, other than liabilities incurred subsequent to such date in the ordinary course of business or permitted by this Agreement. Since June 30, 2011 the date of the last annual audited financial statements of the District, there has been no material adverse change in the properties, business, condition (financial or other) or operations of the District, whether or not arising from transactions in the ordinary course of business.

(j) Except as set forth in or contemplated by the Remarketing Circular, since June 30, 2011, there has been no material adverse change in the general affairs, financial position, results of operations or condition, financial or otherwise, of the District, and the District has not incurred liabilities that would materially affect the ability of the District to discharge its obligations under this Agreement and the Related Documents to which it is a party, direct or contingent.

(k) The District is not a party to any contract or agreement or subject to any charter or other restriction not disclosed in the Remarketing Circular, including the audited financial statements of the District as set forth in [or incorporated by reference in] the Remarketing Circular, the performance of or compliance with which may have a material adverse effect on the financial condition or operations of the District.

(l) The District is not in violation of any provision of the North Carolina Metropolitan Sewerage Districts Act and is not in default in the payment of the principal of or interest on or with respect to any of its Indebtedness or under any instrument under or subject to which any Indebtedness has been incurred; no event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

Section 4.02. Remaking of Representations and Warranties. Delivery by the Tender Agent of the Purchase Certificate referred to in Section 2.02(a)(ii) of this Agreement shall be deemed to be a remaking by the District of the representations and warranties contained in Section 4.01(a), (d), (e) and (h) of this Agreement on and as of such date of delivery and a representation and warranty on such date that no Event of Default has occurred and is continuing on such date.

Section 4.03. Representations and Warranties by the Bank.

(a) The Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, is not in violation of any provision of its organic documents or its bylaws, has power to enter into this Agreement and has duly authorized the execution and delivery of this Agreement.

(b) The execution, delivery and performance of this Agreement do not conflict with or result in a breach of the terms, conditions or provisions or any restriction of the Bank's organic documents or any agreement or instrument to which the Bank is now a party or by which the Bank is bound, or constitute a default under any of

the foregoing, or result in the creation or imposition of any lien upon any of the property or assets of the Bank except as may be contemplated by this Agreement.

(c) No further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "Blue Sky" laws of any jurisdiction) is legally required with respect to the execution, delivery and performance by the Bank of this Agreement.

(d) This Agreement is the valid and legally binding obligation of the Bank, enforceable against the Bank in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally and, in the case of indemnity obligations, considerations of public policy.

(e) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, threatened against or affecting the Bank (or to the best of the Bank's knowledge is there any basis therefor) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Agreement or which, in any way, could adversely affect the validity or enforceability of this Agreement.

ARTICLE V COVENANTS

So long as the Termination Date has not occurred or so long as the Bank holds Bank Bonds purchased under this Agreement, the District agrees that it will, unless the Bank otherwise consents in writing, comply with the following covenants:

Section 5.01. Amendment of Related Documents. The District will not enter into or consent to any amendment or departure from the provisions of any of the Related Documents to which it is a party.

Section 5.02. Punctual Payment; Compliance with Other Agreements. The District will cause to be paid to the Bank any amounts which may become due to the Bank in accordance with the terms of this Agreement, and will faithfully observe and perform all of the conditions, covenants and requirements contained in this Agreement and the conditions, covenants and requirements on its part to be observed and performed under the Related Documents to which it is a party.

Section 5.03. Notice. The District will promptly give written notice to the Bank of the occurrence of a Default of which it is aware. Furthermore, the District will promptly give written notice to the Bank of any notice obtained by the District regarding any pending, proposed or contemplated action or proceeding by any government, governmental agency or any other entity which, in the reasonable judgment of the District, could result in a challenge to the validity of this Agreement or to the enforceability of the obligations of the District hereunder or under the Related Documents to which it is a party.

Section 5.04. Visitation Rights. The District agrees to permit the Bank or any agents or representatives thereof at any reasonable time and from time to time to examine and make copies of and abstracts from its financial records, budgets and books of account (excluding any matters required by law to be kept confidential), to visit any of its facilities and to discuss its affairs, finances and accounts with any of the District's officers, officials or representatives. The District further agrees that the provisions of this Section 5.04 shall not in any way limit the rights of the Bank under Section 5.07 of this Agreement.

Section 5.05. Reporting Requirements. The District agrees to furnish to the Bank:

(a) as soon as available and in any event within 180 days after the end of each fiscal year, a copy of the audited financial statements of the District as of the end of such fiscal year and the notes thereto, in each case certified in a manner reasonably satisfactory to the Bank by independent certified public accountants approved by the Bank, which approval shall not be unreasonably withheld;

- (b) within 50 days of each quarter end, the District's quarterly investment summary;
- (c) as soon as available and in any event within 60 days prior to the beginning of each Fiscal Year of the District, the annual operating budget of the District for such Fiscal Year;
- (c) at the time of the delivery of each of the audited financial statements, a certificate of the director of finance stating that (A) to the best of his or her knowledge, no Event of Default has occurred and is continuing, and (B) he or she has not received notice of circumstances or events from which an Event of Default is likely to arise;
- (d) promptly upon becoming aware thereof, written notice of any material adverse change in the business, operations, financial condition or obligations of the District and of any events or facts which could reasonably be expected to result in a material adverse change in the business, operations, financial condition or obligations of the District;
- (e) promptly upon becoming aware thereof, written notice of the commencement or existence of any proceeding seeking damages above \$10,000,000 which is not insured against by the District by or before any court or governmental agency; and
- (f) such other information respecting the condition or operations, financial or otherwise, of the District as the Bank may from time to time reasonably request.

Section 5.06. Compliance with Laws, Etc. The District agrees to comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which would materially and adversely affect its business or condition, such compliance to include, without limitation, paying before the same become delinquent all material taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent compliance with any of the foregoing is then being contested in good faith.

Section 5.07. Keeping of Books. The District shall keep accurate records and accounts in which full and current entries shall be made of financial transactions and the assets and business of the District in accordance with generally accepted accounting principles applied on a consistent basis. Such records and accounts shall be open at all reasonable times to the inspection of the Bank and its agents and representatives.

Section 5.08. Tax Status. The District agrees not to take any action or consent to the taking of any action by others that will impair the exclusion from gross income for federal income tax purposes of the interest paid or payable with respect to the 2008A Bonds.

Section 5.09. The District's Knowledge of Certain Events. The District, within fifteen (15) Business Days after obtaining actual knowledge of the occurrence of any Default or Event of Default hereunder, or an event which would constitute such an Event of Default or Default hereunder or under any other material obligation of the District, or any material adverse change in the District's condition, financial or otherwise, will cause to be delivered to the Bank an Officer's Certificate specifying the nature thereof, the period of existence thereof and what action the District proposes to take with respect thereto.

Section 5.10. Payment of Obligations. The District agrees to pay when due (including any applicable grace period) all its material obligations and liabilities, except where the same may be contested in good faith and appropriate reserves for the accrual of the same as required by generally accepted accounting principles are maintained.

Section 5.11. Taxes and ERISA. The District agrees to promptly pay, or cause to be paid, all taxes, assessments or other governmental charges levied on the District or its property or income and comply with all requirements of ERISA applicable to it.

Section 5.12. Additional Information; Further Assurances. The District will deliver to the Bank, in form and substance reasonably satisfactory to the Bank, such information as the Bank may reasonably request. The District shall cooperate with the Bank and execute such further instruments and documents as the Bank shall reasonably request to carry out to the Bank's satisfaction the transactions contemplated by this Agreement.

Section 5.13. Bank Bond Rating. Upon request of the Bank after its purchase of Bank Bonds, the District will request within five (5) Business Days of such request a long-term unenhanced rating on the Bank Bonds from at least one nationally recognized rating agency and promptly deliver to the Bank evidence such rating has been obtained upon receipt thereof. The District will use its best efforts to cause such rating to be at least "BBB-/Baa3" and to maintain such rating.

Section 5.14. Primary Banking Relationship. The District will maintain its primary deposit accounts and operating accounts with the Bank.

Section 5.15. Remarketing Agent. The District will at all time cause a remarketing agent, acceptable to the Bank, to be in place.

Section 5.16. Other Covenants. In the event that the District shall, directly or indirectly, enter into or otherwise consent to any credit agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) under which, directly or indirectly, any Person or Persons undertakes to make or provide funds to purchase 2008A Bonds or any other obligations on a parity with the 2008A Bonds and Bank Bonds, which such agreement (or amendment thereto) provides such Person with more restrictive covenants and/or greater rights or remedies than are provided to the Bank in this Agreement (each a "More Favorable Provision"), the District will provide the Bank with a copy of each such agreement (or amendment thereto) and such More Favorable Provision shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such More Favorable Provision as if specifically set forth herein. The District shall promptly enter into an amendment to this Agreement to include such More Favorable Provision (provided that the Bank shall maintain the benefit of such More Favorable Provision even if the District fails to provide such amendment). Notwithstanding the foregoing, any More Favorable Provision that results in any modification of the Events of Default from those set forth in Section 6.01, modifies the remedies described in Section 6.02(a) or (b) or changes the conditions precedent set forth in Article III shall only be incorporated into this Agreement (i) upon receipt of written confirmation from each Rating Agency then rating the 2008A Bonds that the short-term rating on the 2008A Bonds will not be withdrawn or reduced as a result of the incorporation of such More Favorable Provision and (ii) on the date which is ten (10) calendar days after the later to occur of (1) the date on which such More Favorable Provision is posted on MSRB's Electronic Municipal Market Access or (2) the date on which written notice of such More Favorable Provision is provided to the Trustee, the Remarketing Agent and the holders of the 2008A Bonds.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. (a) Each of the following is an "Event of Default" and an Event of Immediate Termination under this Agreement:

- (1) principal or interest with respect to any 2008A Bond (including Bank Bonds) is not paid when due;
- (2) each Rating Agency assigns the District's long-term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons;
- (3) principal or interest with respect to any other Indebtedness issued and outstanding under the Bond Order or any other indebtedness on a parity with the bonds Outstanding under the Bond Order is not paid when due;

(4) a final and non-appealable order of a court or a final and non-appealable finding of a governmental agency having jurisdiction is entered to the effect that (a) any payment provision of this Agreement or (b) any security interest provided in this Agreement, the Bank Bonds or the Related Documents (excluding for this purpose the Remarketing Agreement and the Tender Agreement) is not valid and binding on the District under applicable law, or the District denies that it has any further liability or obligation under this Agreement or any other Related Document (excluding for this purpose the Remarketing Agreement and the Tender Agreement) to which it is a party;

(5) the District files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws in relief of or relating to debtors or any such petition or action shall be filed against the District and, in the case of any such petition or action filed against the District such petition or action (i) results in the entry of any order for relief or (ii) continues undismissed or pending and unstayed for any period of 60 consecutive days;

(6) the District fails to pay, when due, an uninsured, final, non-appealable judgment or order for the payment of money in an aggregate amount exceeding \$10,000,000 rendered against the District and such judgment has not been vacated, discharged, satisfied or stayed by the District within 120 days;

(b) Each of the following is an "Event of Default" and an Event of Notice Termination under this Agreement:

(1) (a) the District fails to perform in all material respects any of the terms, conditions, covenants or agreements required to be performed by the District hereunder, or (b) a material default (other than a failure described in subsection (a)(4)) occurs under any Related Document as it exists on the date hereof, and in either such case such failure or default continues uncured for a period of 30 days after the District has been given notice thereof by the Bank); provided such 30-day cure period may be extended up to 30 days so long as such default is not reasonably capable of being cured in 30 days and the District commences and diligently pursues such cure; or

(2) the District fails to pay when due any amount payable under this Agreement (other than principal and interest due with respect to Bank Bonds); or

(3) the District fails to purchase Bank Bonds from the Bank on the dates and in the amounts required by Section 2.07 of this Agreement; or

(4) any representation or warranty made or deemed made by the District herein or in any Related Document to which it is a party or representation or warranty made or deemed made by the District in any other document, certificate or instrument delivered hereunder proves to have been untrue or incomplete in any material respect when made or deemed made; or

(5) the District defaults on any Indebtedness of at least \$100,000 and such failure shall continue after any applicable grace period; or

(6) any one of the Rating Agency assigns the District's long-term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons.

Section 6.02. Remedies. On the occurrence of an Event of Default and unless the Bank agrees in writing to waive such Event of Default, the Bank may:

(a) Upon the occurrence of an Event of Immediate Termination, the obligation of the Bank to purchase 2008A Bonds will immediately terminate without notice or demand and thereafter the Bank will be under no obligation to purchase 2008A Bonds. Promptly after the Bank receives written notice of any such Event of Immediate Default, the Bank will give written notice of the same to the Trustee, the District, the Tender Agent, the Bond Registrar, each Rating Agency, the LGC and the Remarketing Agent; provided, however, that the Bank will

incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the Bank's obligation to purchase 2008A Bonds pursuant to this Agreement.

(b) In the case of the occurrence of an Event of Notice Termination, the Bank may terminate its obligation under this Agreement by giving written notice to the District, the Trustee, the Tender Agent, the Bond Registrar, each Rating Agency, the LGC and the Remarketing Agent, specifying the date on which this Agreement shall terminate, which shall be a Business Day not less than 30 days from the date notice was received by the Trustee, and at 5:00 p.m. on the specified termination date, the Bank shall be under no further obligation to fund the purchase of any 2008A Bonds under this Agreement and this Agreement will terminate.

(c) In addition to the rights and remedies set forth in Sections 6.02(a) and (b) hereof, in the case of the occurrence of any Event of Default specified in Section 6.01 hereof, (i) upon the election of the Bank all accrued and unpaid interest and commitment fees, Accrued Interest Fees and other fees, if any, and all other amounts then owing by the District to the Bank hereunder (other than payments of principal and interest on the 2008A Bonds) shall become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the District, (ii) the Bank may exercise, at any time and from time to time, any and all rights of the Bank as a Holder or otherwise; and (iii) the Bank shall have all the rights and remedies available to it under this Agreement and the Related Documents to which it is a party, or otherwise provided at law or equity, including, without limitation, specific performance.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or consent to any departure by either party hereto therefrom is effective unless it is in writing and signed by both parties to this Agreement, and then such waiver or consent is effective for only the specific instance and for the specific purpose for which given.

Section 7.02. Notices. Except as expressly provided for herein, all notices and other communications provided for hereunder shall be in writing (including telegram, telecopier or other telecommunication device) and mailed, telegraphed, telecopied or delivered to each party at the address or telecopy number specified for such party on Exhibit D attached to this Agreement or at such other address or telecopy number as shall be designated in the Series Resolution or by such party in a written notice to the other party. All such notices and other communications shall be effective (i) if given by certified or registered mail, the third Business Day after such notice or other communication is deposited in the mails with the requisite postage prepaid and (ii) in all other cases, when received.

Section 7.03. No Waiver: Remedies. No failure on the part of either party hereto to exercise, and no delay in exercising, any right hereunder operates as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.04. Indemnification. The District hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (a) the execution and delivery of, or payment or failure to pay under, this Agreement, (b) the execution, delivery and sale of the 2008A Bonds, including without limitation any of the foregoing resulting from any misstatement or omission in the Remarketing Circular (other than under the caption heading "**THE STANDBY AGREEMENTS AND THE BANK**", **except for the subsection entitled "Substitute Liquidity Facility"**), or (c) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under this Agreement; provided that the District is not required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the gross negligence or willful misconduct of the Bank or (b) the Bank's failure to purchase 2008A Bonds hereunder after the presentation to it by the Trustee of a

certificate strictly complying with the terms and conditions hereof, any other document required under Article II, and any accompanying certificates that comport with the requirements for transfer stated in the 2008A Bonds. Nothing in this Section 7.04 is intended to limit the obligations of the District under this Agreement. If any action is brought against the Bank in respect of which indemnity may be sought against the District, the Bank shall promptly notify the District in writing, and the District shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. The Bank has the right to employ separate counsel in any such action and to participate in the defense thereof, and the reasonable fees and expenses of such counsel shall be at the expense of the Bank unless the named parties to any such action (including any impleaded parties) include both the District and the Bank and representation of the District and the Bank by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case the reasonable fees and expenses of such counsel shall be at the expense of the District. The District shall not be liable for any settlement of any such action effected without its consent by the Bank, but if settled with the consent of the District or if there is a final judgment for the plaintiff in any such action against the District or the Bank, with or without the consent of the District, the District agrees to indemnify and hold harmless the Bank to the extent provided herein.

Section 7.05. Continuing Obligation. This Agreement is a continuing obligation and is (a) binding on the parties hereto, their successors and assigns, and (b) inures to the benefit of and is enforceable by the parties hereto and their successors and assigns; provided that, neither party hereto may assign all or any part of this Agreement without the prior written consent of the other party hereto and each Rating Agency. Notwithstanding the foregoing sentence of this Section 7.05, the Bank may sell participations in all or a portion of its rights and obligations hereunder to one or more banks or trust companies, each of which is organized under the laws of the United States of America or any state thereof and has combined capital and surplus of at least \$100,000,000, and, in connection with any such sale of a participation, the Bank (i) shall remain responsible for the performance of its obligations hereunder and the District shall continue to deal solely and directly with the Bank in connection with its rights and obligations under this Agreement and (ii) may disclose to the participant or proposed participant any information relating to the District furnished to the Bank by or on behalf of the District.

Section 7.06. Liability of the Bank. Neither the Bank nor any of its officers or directors are liable or responsible for (a) any acts or omissions of the Tender Agent or the Remarketing Agent in connection with the purchase of the 2008A Bonds; (b) the validity, sufficiency or genuineness of documents, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstance whatsoever in making or failing to make payment hereunder, except only that the Bank is liable to the extent, but only to the extent, of any direct, as opposed to consequential, damages which were caused by (i) the Bank's gross negligence or willful misconduct or (ii) the Bank's failure to purchase 2008A Bonds hereunder after the presentation to it by the Tender Agent of a certificate strictly complying with the terms and conditions hereof, any other document required under Article II, and any accompanying certificates that comport with the requirements for transfer stated in the 2008A Bonds.

Section 7.07. Costs, Expenses and Taxes. The District agrees to pay or cause to be paid on demand all reasonable out-of-pocket expenses of the Bank, including fees and disbursements of counsel (which fees shall not exceed \$6,100), in connection with: (i) the preparation, execution, delivery, filing and administration of this Agreement, the Related Documents to which it is a party and otherwise in connection with the initial execution and delivery of the 2008A Bonds, (ii) any amendments, supplements, consents or waivers hereto or thereto, and (iii) an Event of Default under this Agreement, or any default or event of default by the District under the 2008A Bonds, any of the Related Documents to which it is a party or any other documents which may be delivered in connection herewith or therewith. In addition, the District shall pay any and all taxes, fees, costs or expenses payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement and such other documents and agree, to the extent permitted by law, to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes, fees, costs or expenses. It is the intention of the parties hereto that the District shall pay amounts referred to in this Section 7.07 directly. If the Bank pays any of the amounts referred to in this Section 7.07 directly, the District will reimburse the Bank for such advances and interest on such advance shall accrue until reimbursed at the Default Rate.

Section 7.08. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.09. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State.

Section 7.10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 7.11. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7.12. Additional Indemnification. In addition to and not in limitation of Section 7.04 of this Agreement, the District hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with any claim that the Bank is or was not the legal and equitable owner of any 2008A Bond for which purchase moneys were supplied by the Bank hereunder. It is the intention of the parties that as to any 2008A Bond as to which any such claim is made the Bank shall receive amounts equal to, and on the same dates as, the amounts which it would receive under this Agreement or any Related Document with respect to such 2008A Bond as the owner or registered owner thereof, and that such 2008A Bond shall for all purposes be considered a 2008A Bond purchased by the Bank hereunder. The liability of the District to the Bank under this Section 7.12 shall accrue immediately on assertion by any party whatsoever of any claim under or on account of said 2008A Bond irrespective of the manner or procedure in or which said assertion is made. If any action is brought against the Bank in respect of which indemnity may be sought against the District, the Bank shall promptly notify the District in writing, and the District shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. The Bank has the right to employ separate counsel in any such action (in which case the District may discharge any counsel previously employed by it to defend such action) and to participate in the defense thereof, and the reasonable fees and expenses of all such counsel shall be at the expense of the Bank unless the named parties to any such action (including any impleaded parties) include both the District and the Bank and representation of both the District and the Bank by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case the reasonable fees and expenses of such counsel shall be at the expense of the District. The District shall not be liable for any settlement of any such action effected without their consent by the Bank, but if settled with the consent of the District or if there be a final judgment for the plaintiff in any such action against the District or the Bank, with or without the consent of the District, the District agrees to indemnify and hold harmless the Bank to the extent provided herein.

Section 7.13. Covenants of District not Covenants of Officials Individually. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent, officer, council member, official or employee of the District in his or her individual capacity, and neither the members of the governing body of the District nor any other officer or employee of the District is subject to any personal liability or accountability by reason of the execution and delivery of this Agreement.

Section 7.14. Right of Set-Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default hereunder the Bank is hereby authorized at any time and from time to time, without notice to the District or to any other person or entity, any such notice being hereby expressly waived by the District, to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the District against and on account of the obligations of the District, irrespective of whether or not the Bank shall have made any demand hereunder and although said obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

Section 7.15. Waiver of Jury Trial. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED IN SECTION 7.16(a)) AS SET FORTH IN THIS AGREEMENT, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, THE DISTRICT AND THE BANK, TO THE EXTENT PERMITTED BY LAW, WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE DISTRICT AND THE BANK, AND THE DISTRICT AND THE BANK HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. THE DISTRICT AND THE BANK ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. THE DISTRICT FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 7.16. Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any controversy, claim or dispute between or among the parties to this Agreement, including any such controversy, claim or dispute arising out of or relating to (a) this Agreement, (b) any related agreements or instruments, or (c) the transaction contemplated herein or therein (including any claim based on or arising from any alleged personal injury or business tort) (each, a "*Dispute*") shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of AAA and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of the District or the Bank, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described in or evidenced by this Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in Buncombe County, North Carolina.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Agreement may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Agreement, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however,

that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservation of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Agreement.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Agreement, or (ii) apply to or limit the right of the Bank (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Agreement in a third-party proceeding in any action brought against the Bank in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). The Bank may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in this Agreement or the Related Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in this Agreement or any Related Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Agreement, (ii) any Related Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of June 1, 2012.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Peter S. Skilton
Senior Vice President

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY**

By: _____
W. Scott Powell
Director of Finance

EXHIBIT A

PURCHASE CERTIFICATE

The undersigned, a duly authorized officer of _____ (the "*Tender Agent*"), in its capacity as Tender Agent for the 2008A Bonds (the "*Bonds*") hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*"; any capitalized term used herein and not otherwise defined herein has its respective meaning as set forth in the Agreement) dated as of June 1, 2012, between the Metropolitan Sewerage District of Buncombe County, North Carolina and the Bank, that:

- (1) The Tender Agent is the Tender Agent under the Series Resolution relating to the Bonds.
- (2) Bonds in the principal amount of \$_____ have been delivered or deemed delivered to the Tender Agent in accordance with the provisions of the Bonds and the Series Resolution. Accrued but unpaid interest on the Bonds at the Interest Rate in the amount of \$_____ is payable by the Bank on the purchase of such Bonds.
- (3) If the Bonds are not held under a book-entry system, the Bonds are endorsed in blank or accompanied by documents of transfer satisfying the requirements of the Series Resolution or are registered in the name of the Bank or its agent or custodian in accordance with the terms of the Series Resolution.
- (4) If the Bonds are held pursuant to a book-entry system, the Bonds have been registered in the name of the Bank pursuant to the terms of the Series Resolution.
- (5) The total amount set forth in this Purchase Certificate representing the purchase price of the Bonds pursuant to paragraph (2) hereof is \$_____ and was computed in accordance with the terms and conditions of the Bonds and the Series Resolution.
- (6) The Tender Agent has no other funds available to purchase the Bonds hereby tendered to the Bank.
- (7) The purchase price referred to in paragraph (6) should be delivered by wire transfer as follows:

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this certificate as of the ____ day of _____, _____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT B

**[TENDER AGENT'S CERTIFICATE
FOR TERMINATION OF COMMITMENT
(CONVERSION OF BONDS TO NON-WEEKLY RATE)]**

The undersigned, _____ (the "*Tender Agent*"), as Tender Agent under that certain Series Resolution adopted March 25, 2008 (the "*Series Resolution*"), by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "*District*"), hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*") dated as of June 1, 2012 between the District, and the Bank that the interest rate determination method with respect to all of the 2008A Bonds has been converted to a Non-Weekly Rate (as defined in the Agreement). Upon receipt of this Certificate and subsequent to the mandatory purchase required under the Series Resolution in connection with such termination, the obligation of the Bank to purchase 2008A Bonds under the Agreement shall terminate.

IN WITNESS WHEREOF the Tender Agent has executed and delivered this Certificate as of the _____ day of _____, ____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT C

**[TENDER AGENT'S CERTIFICATE FOR
TERMINATION OF COMMITMENT
(NO BONDS OUTSTANDING)]**

The undersigned, _____ (the "*Tender Agent*"), as Tender Agent under that certain Series Resolution adopted March 25, 2008 (the "*Series Resolution*"), by the Metropolitan Sewerage District of Buncombe County, North Carolina and The Bank of New York Mellon Trust Company, N.A., as Trustee, hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*") dated as of June 1, 2012 between the District and the Bank that no 2008A Bonds (as defined in the Agreement) remain outstanding under the Series Resolution. Upon receipt of this Certificate, the obligation of the Bank to purchase 2008A Bonds under the Agreement shall terminate.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of the ____ day of _____, ____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT D

NOTICES

District: Metropolitan Sewerage District of Buncombe County
2028 Riverside Drive
Asheville, North Carolina 28804
Attention: Director of Finance
Telephone: (828) 225-8214
Facsimile: (828) 232-5530

Trustee or Tender Agent: The Bank of New York Mellon Trust Company, N.A.
Corporate Division
10161 Centurion Parkway
Jacksonville, Florida 32256
Telephone: (904) 998-4725
Facsimile: (904) 645-1932

Remarketing Agent: Wells Fargo Securities
301 S. College Street, 7th Floor
MAC D1053-077
Charlotte, North Carolina 28202-6000
Attention: Rick White
Telephone: (704) 383-6452
Facsimile: (704) 383-0065

Bank: Wells Fargo Bank, National Association
301 South College Street
4th Floor – D1053-041
Charlotte, North Carolina 28202
Attention: Peter S. Skilton, Senior Vice President
Telephone: (704) 383-7577
Facsimile: (704) 383-8697

STANDBY BOND PURCHASE AGREEMENT

2008B Bonds

THIS STANDBY BOND PURCHASE AGREEMENT, dated as of June 1, 2012, and entered into by and between the **METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA**, a public body and body politic and corporate duly created and validly existing under the laws of the State of North Carolina (the "*District*") and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America (in its capacity hereunder as provider of the liquidity facility for the 2008B Bonds (hereinafter defined), but in no other capacity, the "*Bank*").

WHEREAS, the District has previously issued its Sewerage System Revenue Refunding Bonds, Series 2008B (the "*2008B Bonds*") in the aggregate principal amount of \$22,165,000 pursuant to the terms of the Series Resolution adopted by the governing board of the District on March 25, 2008 (the "*Series Resolution*") of which \$19,935,000 is currently outstanding; and

WHEREAS, pursuant to the terms of the 2008B Bonds and the Series Resolution, the 2008B Bonds are subject to optional or mandatory tender for purchase on certain days and upon the occurrence of certain events; and

WHEREAS, the District desires to provide for a substitute liquidity facility pursuant to which the Bank would agree, under certain circumstances, to purchase all 2008B Bonds that are subject to optional or mandatory tender for purchase under the Series Resolution and for which other sufficient funds are not available under the Series Resolution, and the Bank is willing to agree to purchase such 2008B Bonds subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms.

(a) As used in this Agreement and unless otherwise expressly indicated, or unless the context clearly requires otherwise, the following terms, in addition to the words and terms defined above, have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accrued Interest Fee" has the meaning set forth in Section 2.04(a) of this Agreement.

"Agreement" means this Standby Bond Purchase Agreement, as the same may be amended or supplemented from time to time.

"Bank Bond" means a 2008B Bond which was purchased by the Bank under this Agreement, which is registered in the name of the Bank or its nominee and which has not been remarketed to a new holder by the Remarketing Agent or retained by the Bank pursuant to Section 2.04(f) of this Agreement.

"Bank Bond Rate" for any Bank Bond means (i) during the first one hundred eighty (180) day period following the date of purchase, a variable rate of interest equal to the Base Rate and (ii) thereafter, a variable rate of interest per annum equal to the Base Rate plus one percent (1.0%); provided, however, that the Bank Bond Rate shall not exceed the Maximum Rate; and provided further however that in no event shall the Bank Bond Rate be less than the highest rate of interest borne by any 2008B Bond that is not a Bank Bond.

"Base Rate" means, for any day, a rate per annum equal to the highest of (i) the Prime Rate plus 1.0%, (ii) the Federal Funds Rate plus 2.0% or (iii) 7.0%; provided, however, that the Base Rate shall not exceed the Maximum Rate.

"Bond Order" means the amended and restated bond order adopted by the governing board of the District on April 21, 1999.

"Bond Registrar" means The Bank of New York Mellon Trust Company, N.A., or any successor appointed pursuant to the terms of the Series Resolution.

"Business Day" means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Trustee, the Tender Agent, the Remarketing Agent, the Bond Registrar or the District are located, or in which the office of the Bank from which payments are made pursuant to this Agreement is located, are authorized or required to remain closed, or (ii) a day on which The New York Stock Exchange is closed.

"Closing Date" means June [12], 2012.

"Commitment" means, at any time, the sum of the Principal Commitment and the Interest Commitment then in effect.

"Commitment Rate" means 0.53% per annum. The Commitment Rate shall be increased to the per annum percentage described in the chart below if the debt rating assigned by the Rating Agencies to the unsecured long term debt of the District, without regard to third party credit enhancement, falls to the corresponding levels specified below. Such increase shall be effective as of the Facility Fee Payment Date immediately prior to which the rating change occurs. The Commitment Rate shall be the percentage listed below which corresponds to the lowest debt rating assigned to the District specified in the schedule below:

<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Facility Fee % Per Annum</u>
AA-	Aa3	AA-	0.58
A+	A1	A+	0.68
A	A2	A	0.78
A-	A3	A-	0.88
BBB+	Baa1	BBB+	1.13
BBB	Baa2	BBB	1.48
BBB-	Baa3	BBB-	1.98

provided, however, that the Commitment Rate shall be immediately increased to 2.98% upon (1) the occurrence of an Event of Default or (2) if any Rating Agency then rating the District's parity debt (a) withdraws or suspends, for any reason (other than the defeasance or payment in full of the 2008B Bonds), the debt rating assigned to such indebtedness or (b) assigns a rating which is below investment grade (as specified by such Rating Agency).

References in the table above are to rating categories as presently determined by the rating agencies, and in the event of the adoption of any new or changed rating system or a "global" rating scale by any such rating agency, the ratings categories shall be adjusted according to the new rating which most closely approximates the ratings currently in effect.

"Default" means any event or condition which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means a variable rate of interest equal to the Base Rate plus three percent (3.0%).

"Event of Default" has the meaning set forth in Section 6.01 of this Agreement.

"Event of Immediate Termination" means an Event of Default described in any of Sections 6.01(a)(1) through (6), inclusive, of this Agreement.

"Event of Notice Termination" means an Event of Default described in any of Sections 6.01(b)(1) through (6), inclusive, of this Agreement.

"Expiration Date" means, initially, the Initial Expiration Date and, thereafter, such later date as may be agreed to in writing by the Bank and the District.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the District.

"Fee Payment Date" means, with respect to each Bank Bond, each January 1, April 1, July 1 and October 1 following the date on which such Bank Bond became a Bank Bond.

"Holder" means (i) the Bank for so long as the Bank or its nominee or custodian is a holder of any Bank Bond purchased hereunder and (ii) any other holder of any Bank Bond to whom the Bank has assigned its rights under this Agreement.

"Holding Period" means, as to any Bank Bond, the period commencing on the date of purchase of such Bank Bond by the Bank hereunder and ending on the date on which the Bank receives the unpaid principal amount of such Bank Bond, all accrued but unpaid interest thereon at the Bank Bond Rate and the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bond, or a purchase price for such Bank Bond corresponding to the unpaid principal amount thereof, all accrued but unpaid interest thereon at the Bank Bond Rate and the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bond.

"Indebtedness" means (i) all indebtedness of the District for borrowed money and (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by the District, which are payable from the same source of funds as the 2008B Bonds.

"Initial Expiration Date" means June 12, 2015.

"Interest Commitment" means, initially, an amount equal to \$229,390.00, computed as the interest on the outstanding principal amount of the 2008B Bonds for a period of 35 days in a year of 365/366 days and calculated at the rate of 12.0% per annum, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Principal Commitment bears to the initial Principal Commitment as of the date of such reduction, and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Principal Commitment bears to the initial Principal Commitment as of the date of such increase.

"Interest Payment Date" has the meaning set forth in Section 1 of the Series Resolution.

"Interest Rate" means the rate of interest on the 2008B Bonds calculated as described in the 2008B Bonds and the Series Resolution.

"Maximum Rate" means 25% or the highest rate of interest permitted by applicable law.

"Non-Weekly Rate" means any rate other than the Weekly Rate for the 2008B Bonds determined in accordance with the Series Resolution, regardless of whether any such rate is in effect to the maturity date of the 2008B Bonds.

"Notice of Non-Extension" means a written notice delivered by the Bank to the District, each Rating Agency, the Trustee, the Tender Agent and the Remarketing Agent to the effect that the term of this Agreement will not be extended beyond the Expiration Date then in effect.

"Official Statement" means the Official Statement dated March 27, 2008 relating to the sale of the 2008B Bonds, including the Appendices attached thereto and any documents incorporated by reference therein, as supplemented by the Remarketing Circular.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Prime Rate" means, on any day, the rate of interest per annum then most recently established by the Bank as its "Prime Rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and the Bank may make various business or other loans at rates of interest having no relationship to such rate. The Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

"Principal Commitment" means, initially, \$19,935,000, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Principal Commitment pursuant to Section 2.03 of this Agreement; (b) downward by the principal amount of any 2008B Bonds purchased by the Bank pursuant to Section 2.01 of this Agreement as of the date of such purchase; (c) upward by the principal amount of any 2008B Bonds theretofore purchased by the Bank pursuant to Section 2.01 of this Agreement, and which are retained by the Bank under Section 2.04(f) of this Agreement or repurchased by the District under Section 2.04(f) of this Agreement and not redeemed; and (d) upward by the principal amount of any 2008B Bonds theretofore purchased by the Bank pursuant to Section 2.01 of this Agreement, and which are remarketed by the Remarketing Agent pursuant to the Remarketing Agreement.

"Principal Office of the Bank" means the office of the Bank located at 301 S. College Street, 4th Floor – D1053-041, Charlotte, North Carolina 28202, or such other office of the Bank as the Bank designates from time to time in writing to the District, the Trustee, the Tender Agent and the Remarketing Agent.

"Purchase Certificate" has the meaning set forth in Section 2.02(a)(ii) of this Agreement.

"Purchase Date" means any date on which the Bank is obligated to purchase 2008B Bonds pursuant to the Series Resolution and Section 2.01 of this Agreement.

"Purchase Price" means, with respect to any 2008B Bond or 2008B Bonds to be purchased on any Purchase Date, the aggregate principal amount thereof plus, unless the Purchase Date is an Interest Payment Date, interest accrued and unpaid thereon to such date.

"Rating" means the long-term unenhanced rating assigned to the District's outstanding bonds; provided, however, if there shall be a discrepancy in such ratings among the three Rating Agencies, the Rating shall be determined by the lowest of such three ratings.

"Rating Agency" means each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investors Service, Inc. and Fitch, Inc., or their respective successors and assigns.

"Related Documents" means the 2008B Bonds, the Bond Order, the Series Resolution, the Remarketing Agreement and the Tender Agreement.

"Remarketing Agent" means Wells Fargo Bank, National Association, or any successor appointed pursuant to the terms of the Series Resolution.

"Remarketing Agreement" means the Remarketing Agreement originally between the District and Banc of America Securities LLC, dated as of March 1, 2008 and assumed by the Remarketing Agent in a letter agreement dated November 17, 2011, as the same may be modified, amended or supplemented from time to time.

"Remarketing Circular" means the Remarketing Circular dated June [7], 2012 supplementing the Official Statement following the effectiveness of this Agreement and any documents incorporated by reference therein.

"Series Resolution" has the meaning set forth in the opening paragraph of this Agreement.

"State" means the State of North Carolina.

"Tender Agent" means the agent appointed from time to time under Section 15(A)(ii) of the Series Resolution.

"Tender Agreement" means the Tender Agent Agreement, dated as of March 1, 2008 [and assumed by the Remarketing Agent in a letter agreement dated May __, 2012] among the Trustee, the District, the Bond Registrar, the Tender Agent and the Remarketing Agent, as supplemented or amended.

"Termination Date" means the earliest to occur of the following (i) the Expiration Date, (ii) the date on which this Agreement terminates in accordance with Section 6.02 of this Agreement, (iii) the date on which the District terminates this Agreement in accordance with Section 2.09(c) or (d) of this Agreement, or (iv) the date on which the Bank receives a certificate from the Tender Agent in the form of Exhibit B (unless the District and the Bank have negotiated an amendment to this Agreement pursuant to Section 2.11 of this Agreement) or Exhibit C attached hereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor appointed pursuant to the terms of the Bond Order.

"2008B Bond" or "2008B Bonds" has the meaning set forth in the recitals of this Agreement.

Section 1.02. Other Words and Terms. All accounting terms used herein not expressly defined in this Agreement have the meanings respectively given to such terms in accordance with generally accepted accounting principles. All other capitalized words and terms used herein have the same meaning set forth in the Series Resolution or the Bond Order, each as in effect on the Closing Date, unless the context hereof clearly indicates a different meaning is intended.

Section 1.03. Local Time. All references to a particular time of day set forth in this Agreement are to the time in New York, New York.

ARTICLE II

BOND PURCHASE OBLIGATION AND FEES

Section 2.01. Commitment to Purchase 2008B Bonds. The Bank agrees with the District, on the terms and conditions contained in this Agreement, to purchase 2008B Bonds (excluding 2008B Bonds registered in the name of the District) from time to time on the Purchase Dates at the Purchase Price and to comply with its duties as set forth in the Series Resolution. The aggregate principal amount of any 2008B Bond or 2008B Bonds purchased on any Purchase Date shall not exceed the Principal Commitment on such date. Such 2008B Bond or 2008B Bonds may be in any denomination authorized by the Series Resolution. The aggregate amount of the Purchase Price comprising interest on any Purchase Date with respect to the 2008B Bond or 2008B Bonds purchased on such Purchase Date shall not exceed the lesser of (i) the Interest Commitment on such Purchase Date

attributable to such 2008B Bond or 2008B Bonds, or (ii) the actual amount of interest accrued on such 2008B Bond or 2008B Bonds as of such Purchase Date.

Any 2008B Bonds so purchased shall become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Rate and have other characteristics as set forth in the Series Resolution and the 2008B Bonds. Except as otherwise provided herein, principal and interest on Bank Bonds shall be payable as provided in the Series Resolution, as if such Bonds were not Bank Bonds.

Section 2.02. Method of Purchasing.

(a) The Bank agrees to purchase 2008B Bonds as described in Section 2.01 of this Agreement on satisfaction of the following conditions:

(i) if the 2008B Bonds are in physical form, delivery to the Tender Agent of 2008B Bonds in a form ready for transfer, properly endorsed or accompanied by documents of transfer satisfying the requirements of the Series Resolution, or registered in the name of the Bank or its agent or custodian in accordance with the terms of the Series Resolution, in the aggregate principal amount which, together with interest accrued thereon, if any, due in accordance with the Series Resolution, equals the amount set forth in the Purchase Certificate referred to and defined in subparagraph (ii) below; but if a book-entry system with respect to the 2008B Bonds is in effect, the 2008B Bonds shall be tendered or deemed tendered for purposes of this Section 2.02(a)(i) on receipt by the Bank of notice from the Tender Agent that 2008B Bonds are being tendered for purchase (which notice may be satisfied by delivery of a Purchase Certificate); and

(ii) presentation (including presentation by telegram, telex, telecopier or other telecommunication device) at the Principal Office of the Bank of a purchase certificate (a "*Purchase Certificate*"), in the form of Exhibit A attached hereto and by this reference made a part hereof, completed and signed by a duly authorized officer of the Tender Agent and dated the date such Purchase Certificate is presented hereunder.

(b) The Bank hereby agrees, subject to the terms and conditions of this Agreement, that 2008B Bonds will be purchased on a Business Day on satisfaction of the foregoing requirements. If the Purchase Certificate is received by the Bank at or before 11:30 A.M. on a Business Day, and provided that the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount specified shall be remitted by federal wire transfer to the Tender Agent (or as directed by the Tender Agent) in immediately available funds by 1:30 P.M. on the same Business Day. If the Purchase Certificate is received after 11:30 A.M. on a Business Day, and provided that the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount specified shall be remitted by federal wire transfer to the Tender Agent (or as directed by the Tender Agent) in immediately available funds by 1:30 P.M. on the next succeeding Business Day. All purchases of 2008B Bonds by the Bank hereunder shall be made with its own funds.

(c) The Bank shall not have any responsibility for, or incur any liability for, any act, or any failure to act, whether by the Tender Agent or any person other than the Bank, which results in the failure of the Tender Agent (i) to credit the proper account designated in writing to the Bank by the Tender Agent with funds made available to the Tender Agent by the Bank pursuant to Section 2.02(b) of this Agreement, or (ii) to purchase 2008B Bonds with such funds pursuant to this Section 2.02 and the Series Resolution.

Section 2.03. Reduction of Principal Commitment. The Bank's obligation to purchase the 2008B Bonds is limited to the Commitment. Immediately after any redemption, repayment or other payment of all or any portion of the 2008B Bonds or the payment in full of any 2008B Bonds on their stated maturity date, the Principal Commitment of the Bank shall automatically be reduced by the aggregate principal amount of the 2008B Bonds so redeemed or paid in full and the District shall promptly notify the Bank in writing of the aggregate principal amount of 2008B Bonds so redeemed or paid in full. Each such reduction in the Principal Commitment thereby immediately results in a pro rata reduction in the Interest Commitment.

Section 2.04. Accrued Interest Fees; Calculation of Interest; Right of the District to Purchase Bonds.

(a) The District shall pay directly to the Bank a fee (the "*Accrued Interest Fee*") for each Bank Bond equal to the product of (i) the amount of accrued interest, if any, paid by the Bank to purchase such Bank Bond which is not repaid to the Bank on the same Business Day, multiplied by (ii) the Bank Bond Rate, calculated as provided in Section 2.04(c) of this Agreement. The District and the Bank acknowledge and agree that all amounts to be paid to the Bank pursuant to this Agreement representing Accrued Interest Fees shall be treated as interest and secured by the Bond Order on a parity with all other bonds Outstanding under the Bond Order.

(b) The Accrued Interest Fee for each Bank Bond is payable on the earliest to occur of the following (i) the next Fee Payment Date, (ii) the last day of the Holding Period for such Bank Bond, (iii) the maturity of such Bank Bond whether by acceleration or call for redemption or otherwise, (iv) the Expiration Date or the Termination Date, as applicable, and (v) after the times specified in clauses (i) and (iv) above, on demand.

(c) Accrued Interest Fees and interest shall be calculated on the basis of a fraction, (i) the numerator of which is the total number of days from the Purchase Date of such Bank Bond or the date the relevant payment is due, as applicable, to the date such Accrued Interest Fees or accrued interest is paid to the Bank by the District, the Trustee or otherwise and (ii) the denominator of which is 360.

(d) Except as otherwise provided in this Agreement, any amount not paid when due hereunder shall bear interest for each day it is outstanding, payable on demand at a per annum rate equal to the Default Rate.

(e) Nothing herein shall be construed to require payment of a rate of interest plus, if applicable, an Accrued Interest Fee, assuming any such Accrued Interest Fee were treated as interest, that in the aggregate exceeds the Maximum Rate.

(f) Subject to the next to the last sentence of this Section 2.04(f), the District has the right to purchase any Bank Bond during the Holding Period thereof. On receipt by the Bank of notice from the District by 10:30 A.M. on the date of sale (which shall be a Business Day), which notice states that the District is exercising its right to purchase any Bank Bond and the aggregate unpaid principal amount of the Bank Bonds to be sold by the Bank to the District on such date, the Bank, subject to the next to last sentence of this Section 2.04(f), shall sell to the District an aggregate principal amount of Bank Bonds for which payment has been made in immediately available funds, including interest accrued on the Bank Bonds to the date of sale. If any Accrued Interest Fee has accrued on such Bank Bonds, the District shall pay to the Bank such amounts due on the date of such sale. If the Bank elects not to sell any Bank Bonds to the District in accordance with this Section 2.04(f), which election shall be irrevocable, notice of such election shall be given promptly to the District and from the date notice of such election is given by the Bank to the District interest on such Bank Bonds shall thereafter accrue at the Interest Rate. Any sale of a Bank Bond by the Bank to the District pursuant to this Section 2.04(f) is without recourse to the Bank and without representation or warranty by the Bank of any kind.

Section 2.05. Facility Fee; Drawing Fee; Administrative Fees.

(a) The District hereby agrees to pay directly to the Bank, quarterly in arrears on each January 1, April 1, July 1 and October 1, beginning July 1, 2012 (each a "*Facility Fee Payment Date*") a nonrefundable facility fee (the "*Facility Fee*") computed pursuant to the following formula:

$$FF = \frac{CR \times C \times DE}{360}$$

- FF = commitment fee payable on the applicable payment date
- CR = Commitment Rate
- C = the amount of the Commitment in effect on the applicable payment date (after payment of the principal amount of any 2008B Bonds on such date)
- DE = actual number of days in the applicable period

The Facility Fee shall be payable on each Facility Fee Payment Date and shall be computed as of the date of such payment on the basis of a 360-day year, actual days elapsed, from and including the preceding Facility Fee Payment Date to, but excluding, the Facility Fee Payment Date for which such payment is due.

In the event of a change in the Commitment Rate in effect during the term of this Agreement, the commitment fee for such period shall be recomputed to take into account the number of days during such period for which different Commitment Rates are in effect. Any increased commitment fee will be due and payable by the District in arrears on the next Facility Fee Payment Date. The Bank will provide notice to the District of any additional fee payment due under this Section 2.05.

In the event this Agreement is terminated prior to June [12], 2013, the District will pay to the Bank on the termination date an amount equal to all the fees and expenses that would have been due under the Agreement through June [12], 2013, unless at the time of such termination the rating on the Bank's senior unsecured short-term obligations has been withdrawn or suspended or has been reduced by any Rating Agency to a rating of less than "P-1" or "A-1" (or the equivalent).

In the event the Commitment is permanently reduced prior to June [12], 2013, the District will pay to the Bank on the permanent reduction date an amount equal to all the fees and expenses that would have been due under the Agreement through June 30, 2013, if no such reduction had occurred.

(b) The District shall pay \$300 as an administrative fee in connection with each drawing of funds hereunder payable upon receipt of written notice from the Bank that such amount is due.

(c) The District shall pay \$2,500 as an administrative fee, plus reasonable attorney's fees and expenses, in connection with any amendment, transfer, standard waiver or consent request in connection with this Agreement.

(d) The District shall pay all other reasonable fees charged by the Bank regarding this Agreement.

Section 2.06. General Provisions as to Payments. Notwithstanding any provision to the contrary contained herein, the District shall cause all amounts then due and payable to the Bank pursuant to this Agreement to be paid not later than 12:00 p.m. on the date when due in immediately available funds at the Principal Office of the Bank or at such other place as the Bank may designate in writing to the District. If any such amount is payable on a day that is not a Business Day, then such due date is extended to the next succeeding Business Day, and interest and Accrued Interest Fees for such Bank Bond or such other amount shall continue to accrue during such extension. Any such amounts due to the Bank hereunder which are received by the Bank after 12:00 p.m. on the date when due shall, for the purpose of calculating interest or Accrued Interest Fees hereunder, be deemed to be received by the Bank on the next succeeding Business Day. All fees are non-refundable.

Section 2.07. Mandatory Redemption of Bank Bonds; Obligation by District to Purchase Bank Bonds.

(a) Notwithstanding anything to the contrary contained in such Bond, the District agrees that, with respect to each Bank Bond, (i) such Bank Bond shall be redeemed in whole in six (6) consecutive, equal semi-annual installments of principal and interest at the Bank Bond Rate (unless an Event of Default has occurred, in which case the Default Rate would apply), such payments to commence on first May 1 or November 1 that is at least 180 days following the applicable Purchase Date of such Bank Bond, and continuing on each May 1 and November 1 thereafter until fully paid. In any event, all principal and accrued and unpaid interest shall be due and payable on the third anniversary of such Purchase Date (or if such Purchase Date is not a Business Day, on the next preceding Business Day). In the event any Bank Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Bond Rate, the provisions of this Section 2.07 shall continue to apply to such indebtedness until all sums for all periods during which the same was a Bank Bond are paid.

(b) The redemption price of each Bank Bond redeemed pursuant to Section 2.07(a) shall be equal to the sum of: (i) the unpaid principal amount of such Bank Bonds; (ii) all accrued but unpaid interest thereon at the

Bank Bond Rate (calculated in accordance with the provisions of the Series Resolution applicable to Bank Bonds) to the date of such purchase; and (iii) the Accrued Interest Fee, if any, accrued but unpaid on such Bank Bonds to the date of such purchase. Any sale of a Bank Bond pursuant to this Section 2.07 shall be without recourse to the Bank and without representation or warranty of any kind.

Section 2.08. Notice of Sale. The Bank shall promptly notify the District of any sale by the Bank (other than a sale pursuant to Section 2.04(f) of this Agreement) of Bank Bonds.

Section 2.09. Term of Agreement; Extensions of Term; Termination by District.

(a) The term of this Agreement begins on the Closing Date and ends on the Termination Date.

(b) The initial term of this Agreement is stated to expire, subject to earlier termination under certain circumstances, on the Initial Expiration Date. Upon written request of the District, which must be received by the Bank not less than 90 days prior to the Initial Expiration Date (or the then-scheduled Expiration Date, if previously extended), the initial term of this Agreement may be extended in the discretion of the Bank for an additional term not exceeding three (3) years pursuant to a written agreement mutually acceptable to the District and the Bank. The Bank shall endeavor in good faith to deliver a Notice of Non-Extension to the District at least 30 days before the Initial Expiration Date (or the then-scheduled Expiration Date, if previously extended); however, failure by the Bank to deliver a Notice of Non-Extension shall not obligate the Bank to extend the term of this Agreement or act as an extension thereof. The Bank may determine not to extend the term of this Agreement in its sole discretion and no course of dealing or other circumstance shall require the Bank to extend the term of this Agreement.

(c) This Agreement may be terminated (including any termination in connection with replacement of the Liquidity Facility in accordance with Section 2(G) of the Series Resolution) at any time at the written request of the District on satisfaction of all conditions specified in subsections (i) and (ii) below:

(i) the District has given not less than 90 days' prior written notice to the Bank, the Remarketing Agent, the Trustee, the Tender Agent and each Rating Agency that the District intends to terminate this Agreement;

(ii) all amounts then owing to the Bank hereunder have been paid in full.

(d) If, in connection with a proposed conversion of the 2008B Bonds to a Non-Weekly Rate pursuant to the Series Resolution, the District and the Bank fail to negotiate mutually agreeable amendments to this Agreement as described in Section 2.11 of this Agreement, the District, upon receipt of written notice from the Bank declining to amend this Agreement and provided all amounts owing to the Bank hereunder have been paid in full, may terminate this Agreement by giving 30 days' prior written notice to the Bank.

Section 2.10. Payments in Respect of Increased Costs.

(a) If at any time after the date hereof, and from time to time, the Bank determines that the adoption or modification of any applicable law, rule or regulation regarding taxation, the Bank's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with any of such requirements, has or would have the effect of (i) increasing the Bank's costs relating to the obligations hereunder to a level above, or (ii) reducing the yield or rate of return of the Bank on the obligations hereunder to a level below, that which would have obtained but for the adoption or modification of any such requirements, the District shall, within 30 days of any request by the Bank, pay to the Bank, upon receipt from it of a written invoice setting forth the amount (and the calculations with respect thereto) which the Bank in good faith determines will compensate it for such increase in costs or reduction in yield or rate of return. The Bank will attempt to deliver any such invoice to the District within a reasonable period of time after the occurrence of any of the events described in this Section 2.10(a), but no failure by the Bank to immediately or promptly demand payment of any additional amounts payable hereunder shall constitute a waiver of the Bank's right to demand payment of such amounts at any subsequent time. Nothing herein contained shall be construed or

so operate as to require the District to pay any interest, fees, costs or charges greater than is permitted by applicable law.

(b) If for any reason the District is charged with any amount pursuant to Section 2.10(a) of this Agreement as a result of an increase in a cost to or payment by the Bank or decrease in amount payable to the Bank, and any such cost to the Bank is subsequently reduced, any such amount receivable by the Bank is subsequently increased or any such required payment by the Bank is subsequently reduced, then the Bank will promptly so notify the District, and the amounts due thereafter to the Bank under Section 2.10(a) shall be reduced by the amount of such reduction or increase; provided, however, that such amounts shall not be reduced below zero.

Section 2.11. Adjustment of Interest Commitment. If the District determines to convert the 2008B Bonds from the Weekly Rate to any other Interest Rate pursuant to the Series Resolution, the District and the Bank may negotiate amendments to this Agreement, including amendments to increase the Interest Commitment and to increase any fees payable under this Agreement. Nothing in this Agreement, however, shall be construed as requiring either party to negotiate any such changes or to enter into any such amended agreement except upon terms agreeable to such party. If the District and the Bank fail to negotiate mutually agreeable amendments to this Agreement, the District may terminate this Agreement as provided in Section 2.09(d) of this Agreement.

Section 2.12. Remarketing of Bank Bonds. The Bank expressly reserves the right to direct the Remarketing Agent to remarket Bank Bonds to purchasers identified by the Bank.

ARTICLE III

CONDITIONS PRECEDENT

In addition to the conditions precedent set forth in Section 2.02 of this Agreement, the obligation of the Bank under this Agreement to purchase 2008B Bonds is subject to the following conditions precedent.

Section 3.01. Receipt of Closing Documents. The Bank has received on or before the Closing Date the following, each dated such date and in such form and substance as is satisfactory to the Bank and its counsel:

(a) a certified copy of the resolution(s) of the District authorizing the execution, delivery and performance of this Agreement and each of the Related Documents and the consummation of the transactions contemplated hereby and thereby;

(b) a certificate of the District certifying the names and true signatures of the officers and officials of the District authorized to sign this Agreement;

(c) an opinion of counsel for the District, in form and substance satisfactory to the Bank;

(d) an unqualified tax-exempt opinion of bond counsel, addressed to the Bank or upon which the Bank may rely, as to such matters as the Bank may reasonably request;

(e) an executed original of this Agreement and a copy of the Related Documents;

(f) a certificate of the District, dated the Closing Date, to the effect that (i) no Default or Event of Default has occurred and is continuing on such date and (ii) the representations and warranties contained in Section 4.01 of this Agreement are true and correct as though made on such date;

(g) evidence that each of the Rating Agencies has assigned the 2008B Bonds a long-term rating of not less than AA or its equivalent;

(h) a copy of the District's audited financial statements for its fiscal year ended June 30, 2011;

(i) evidence that a CUSIP number and a rating of at least investment grade has been obtained and reserved from S&P for the Bank Bonds; and

(j) such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

Section 3.02. Conditions Precedent on Each Date of Purchase. On each date on which 2008B Bonds are to be purchased by the Bank pursuant to Section 2.01 of this Agreement, no Event of Immediate Termination shall have occurred and be continuing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations and Warranties by District. The District respectively represents and warrants as follows:

(a) The District is a public body and body politic and corporate, duly created, validly existing and in good standing under the laws of the State of North Carolina, has the power to enter into this Agreement and the Related Documents to which it is a party and has duly authorized the execution and delivery of this Agreement and the Related Documents to which it is a party.

(b) At one or more meetings of the governing body of the District that was duly called and at which a quorum was present and acting throughout, the governing body of the District duly approved such execution and delivery by the District.

(c) No further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "Blue Sky" laws of any jurisdiction) is legally required with respect to the execution, delivery and performance by the District of this Agreement and the Related Documents to which the District is a party.

(d) The approval, execution and delivery by the District of this Agreement and the Related Documents to which it is a party and compliance with the provisions thereof, under the circumstances contemplated thereby and hereof, do not and will not conflict with, constitute a breach of or default under, or result in the creation of a lien on any property of the District (except as contemplated therein) pursuant to applicable law or any indenture, bond order, agreement or other instrument to which the District is a party or by which the District is bound, or conflict with or violate any applicable law, administrative rule, regulation, judgment, court order or consent decree to which the District is subject.

(e) This Agreement and the Related Documents to which the District is a party are the valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors rights generally.

(f) All data, certificates, reports, statements, documents and other information furnished to the Bank by or on behalf of the District in connection with this Agreement and the Related Documents to which it is a party were, at the time the same were so furnished, correct in all material respects and did not contain any untrue statement of a material fact, and there has been no material adverse change in the condition of the District, financial or otherwise, subsequent thereto.

(g) The statements and information contained in the Remarketing Circular with respect to the affairs of the District do not contain or include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the District as set forth in [or incorporated by reference in] the Remarketing Circular, present fairly the financial condition of the District as of the respective dates and the results

of operations for the respective periods set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, or, to the best knowledge of the District, threatened against or affecting the District (or to the best of the District's knowledge is there any basis in fact therefor) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Agreement or any of the Related Documents to which it is a party or which, in any way, could adversely affect the validity or enforceability of this Agreement or any of the Related Documents to which it is a party or any other agreement or instrument to which the District is a party and which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement and the Related Documents to which it is a party.

(i) The audited financial statements of the District for the fiscal year ended June 30, 2011, previously supplied to the Bank, present fairly the financial position of the District for the period specified, and such financial reports and statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects for the period involved, except as may otherwise be stated in the notes thereto. There are no material liabilities, direct or indirect, fixed or contingent, of the District that are not reflected in said financial statements or in the notes thereto, other than liabilities incurred subsequent to such date in the ordinary course of business or permitted by this Agreement. Since June 30, 2011 the date of the last annual audited financial statements of the District, there has been no material adverse change in the properties, business, condition (financial or other) or operations of the District, whether or not arising from transactions in the ordinary course of business.

(j) Except as set forth in or contemplated by the Remarketing Circular, since June 30, 2011, there has been no material adverse change in the general affairs, financial position, results of operations or condition, financial or otherwise, of the District, and the District has not incurred liabilities that would materially affect the ability of the District to discharge its obligations under this Agreement and the Related Documents to which it is a party, direct or contingent.

(k) The District is not a party to any contract or agreement or subject to any charter or other restriction not disclosed in the Remarketing Circular, including the audited financial statements of the District as set forth in [or incorporated by reference in] the Remarketing Circular, the performance of or compliance with which may have a material adverse effect on the financial condition or operations of the District.

(l) The District is not in violation of any provision of the North Carolina Metropolitan Sewerage Districts Act and is not in default in the payment of the principal of or interest on or with respect to any of its Indebtedness or under any instrument under or subject to which any Indebtedness has been incurred; no event has occurred and is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such instrument.

Section 4.02. Remaking of Representations and Warranties. Delivery by the Tender Agent of the Purchase Certificate referred to in Section 2.02(a)(ii) of this Agreement shall be deemed to be a remaking by the District of the representations and warranties contained in Section 4.01(a), (d), (e) and (h) of this Agreement on and as of such date of delivery and a representation and warranty on such date that no Event of Default has occurred and is continuing on such date.

Section 4.03. Representations and Warranties by the Bank.

(a) The Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, is not in violation of any provision of its organic documents or its bylaws, has power to enter into this Agreement and has duly authorized the execution and delivery of this Agreement.

(b) The execution, delivery and performance of this Agreement do not conflict with or result in a breach of the terms, conditions or provisions or any restriction of the Bank's organic documents or any agreement or instrument to which the Bank is now a party or by which the Bank is bound, or constitute a default under any of

the foregoing, or result in the creation or imposition of any lien upon any of the property or assets of the Bank except as may be contemplated by this Agreement.

(c) No further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the securities or "Blue Sky" laws of any jurisdiction) is legally required with respect to the execution, delivery and performance by the Bank of this Agreement.

(d) This Agreement is the valid and legally binding obligation of the Bank, enforceable against the Bank in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally and, in the case of indemnity obligations, considerations of public policy.

(e) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, threatened against or affecting the Bank (or to the best of the Bank's knowledge is there any basis therefor) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Agreement or which, in any way, could adversely affect the validity or enforceability of this Agreement.

ARTICLE V

COVENANTS

So long as the Termination Date has not occurred or so long as the Bank holds Bank Bonds purchased under this Agreement, the District agrees that it will, unless the Bank otherwise consents in writing, comply with the following covenants:

Section 5.01. Amendment of Related Documents. The District will not enter into or consent to any amendment or departure from the provisions of any of the Related Documents to which it is a party.

Section 5.02. Punctual Payment; Compliance with Other Agreements. The District will cause to be paid to the Bank any amounts which may become due to the Bank in accordance with the terms of this Agreement, and will faithfully observe and perform all of the conditions, covenants and requirements contained in this Agreement and the conditions, covenants and requirements on its part to be observed and performed under the Related Documents to which it is a party.

Section 5.03. Notice. The District will promptly give written notice to the Bank of the occurrence of a Default of which it is aware. Furthermore, the District will promptly give written notice to the Bank of any notice obtained by the District regarding any pending, proposed or contemplated action or proceeding by any government, governmental agency or any other entity which, in the reasonable judgment of the District, could result in a challenge to the validity of this Agreement or to the enforceability of the obligations of the District hereunder or under the Related Documents to which it is a party.

Section 5.04. Visitation Rights. The District agrees to permit the Bank or any agents or representatives thereof at any reasonable time and from time to time to examine and make copies of and abstracts from its financial records, budgets and books of account (excluding any matters required by law to be kept confidential), to visit any of its facilities and to discuss its affairs, finances and accounts with any of the District's officers, officials or representatives. The District further agrees that the provisions of this Section 5.04 shall not in any way limit the rights of the Bank under Section 5.07 of this Agreement.

Section 5.05. Reporting Requirements. The District agrees to furnish to the Bank:

(a) as soon as available and in any event within 180 days after the end of each fiscal year, a copy of the audited financial statements of the District as of the end of such fiscal year and the notes thereto, in each case certified in a manner reasonably satisfactory to the Bank by independent certified public accountants approved by the Bank, which approval shall not be unreasonably withheld;

(b) within 50 days of each quarter end, the District's quarterly investment summary;

(c) as soon as available and in any event within 60 days prior to the beginning of each Fiscal Year of the District, the annual operating budget of the District for such Fiscal Year;

(c) at the time of the delivery of each of the audited financial statements, a certificate of the director of finance stating that (A) to the best of his or her knowledge, no Event of Default has occurred and is continuing, and (B) he or she has not received notice of circumstances or events from which an Event of Default is likely to arise;

(d) promptly upon becoming aware thereof, written notice of any material adverse change in the business, operations, financial condition or obligations of the District and of any events or facts which could reasonably be expected to result in a material adverse change in the business, operations, financial condition or obligations of the District;

(e) promptly upon becoming aware thereof, written notice of the commencement or existence of any proceeding seeking damages above \$10,000,000 which is not insured against by the District by or before any court or governmental agency; and

(f) such other information respecting the condition or operations, financial or otherwise, of the District as the Bank may from time to time reasonably request.

Section 5.06. Compliance with Laws, Etc. The District agrees to comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, noncompliance with which would materially and adversely affect its business or condition, such compliance to include, without limitation, paying before the same become delinquent all material taxes, assessments and governmental charges imposed upon it or upon its property, except to the extent compliance with any of the foregoing is then being contested in good faith.

Section 5.07. Keeping of Books. The District shall keep accurate records and accounts in which full and current entries shall be made of financial transactions and the assets and business of the District in accordance with generally accepted accounting principles applied on a consistent basis. Such records and accounts shall be open at all reasonable times to the inspection of the Bank and its agents and representatives.

Section 5.08. Tax Status. The District agrees not to take any action or consent to the taking of any action by others that will impair the exclusion from gross income for federal income tax purposes of the interest paid or payable with respect to the 2008B Bonds.

Section 5.09. The District's Knowledge of Certain Events. The District, within fifteen (15) Business Days after obtaining actual knowledge of the occurrence of any Default or Event of Default hereunder, or an event which would constitute such an Event of Default or Default hereunder or under any other material obligation of the District, or any material adverse change in the District's condition, financial or otherwise, will cause to be delivered to the Bank an Officer's Certificate specifying the nature thereof, the period of existence thereof and what action the District proposes to take with respect thereto.

Section 5.10. Payment of Obligations. The District agrees to pay when due (including any applicable grace period) all its material obligations and liabilities, except where the same may be contested in good faith and appropriate reserves for the accrual of the same as required by generally accepted accounting principles are maintained.

Section 5.11. Taxes and ERISA. The District agrees to promptly pay, or cause to be paid, all taxes, assessments or other governmental charges levied on the District or its property or income and comply with all requirements of ERISA applicable to it.

Section 5.12. Additional Information; Further Assurances. The District will deliver to the Bank, in form and substance reasonably satisfactory to the Bank, such information as the Bank may reasonably request. The District shall cooperate with the Bank and execute such further instruments and documents as the Bank shall reasonably request to carry out to the Bank's satisfaction the transactions contemplated by this Agreement.

Section 5.13. Bank Bond Rating. Upon request of the Bank after its purchase of Bank Bonds, the District will request within five (5) Business Days of such request a long-term unenhanced rating on the Bank Bonds from at least one nationally recognized rating agency and promptly deliver to the Bank evidence such rating has been obtained upon receipt thereof. The District will use its best efforts to cause such rating to be at least "BBB-/Baa3" and to maintain such rating.

Section 5.14. Primary Banking Relationship. The District will maintain its primary deposit accounts and operating accounts with the Bank.

Section 5.15. Remarketing Agent. The District will at all time cause a remarketing agent, acceptable to the Bank, to be in place.

Section 5.16. Other Covenants. In the event that the District shall, directly or indirectly, enter into or otherwise consent to any credit agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) under which, directly or indirectly, any Person or Persons undertakes to make or provide funds to purchase 2008B Bonds or any other obligations on a parity with the 2008B Bonds and Bank Bonds, which such agreement (or amendment thereto) provides such Person with more restrictive covenants and/or greater rights or remedies than are provided to the Bank in this Agreement (each a "More Favorable Provision"), the District will provide the Bank with a copy of each such agreement (or amendment thereto) and such More Favorable Provision shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such More Favorable Provision as if specifically set forth herein. The District shall promptly enter into an amendment to this Agreement to include such More Favorable Provision (provided that the Bank shall maintain the benefit of such More Favorable Provision even if the District fails to provide such amendment). Notwithstanding the foregoing, any More Favorable Provision that results in any modification of the Events of Default from those set forth in Section 6.01, modifies the remedies described in Section 6.02(a) or (b) or changes the conditions precedent set forth in Article III shall only be incorporated into this Agreement (i) upon receipt of written confirmation from each Rating Agency then rating the 2008B Bonds that the short-term rating on the 2008B Bonds will not be withdrawn or reduced as a result of the incorporation of such More Favorable Provision and (ii) on the date which is ten (10) calendar days after the later to occur of (1) the date on which such More Favorable Provision is posted on MSRB's Electronic Municipal Market Access or (2) the date on which written notice of such More Favorable Provision is provided to the Trustee, the Remarketing Agent and the holders of the 2008B Bonds.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. (a) Each of the following is an "Event of Default" and an Event of Immediate Termination under this Agreement:

- (1) principal or interest with respect to any 2008B Bond (including Bank Bonds) is not paid when due;
- (2) each Rating Agency assigns the District's long-term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons;
- (3) principal or interest with respect to any other Indebtedness issued and outstanding under the Bond Order or any other indebtedness on a parity with the bonds Outstanding under the Bond Order is not paid when due;

(4) a final and non-appealable order of a court or a final and non-appealable finding of a governmental agency having jurisdiction is entered to the effect that (a) any payment provision of this Agreement or (b) any security interest provided in this Agreement, the Bank Bonds or the Related Documents (excluding for this purpose the Remarketing Agreement and the Tender Agreement) is not valid and binding on the District under applicable law, or the District denies that it has any further liability or obligation under this Agreement or any other Related Document (excluding for this purpose the Remarketing Agreement and the Tender Agreement) to which it is a party;

(5) the District files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws in relief of or relating to debtors or any such petition or action shall be filed against the District and, in the case of any such petition or action filed against the District such petition or action (i) results in the entry of any order for relief or (ii) continues undismissed or pending and unstayed for any period of 60 consecutive days;

(6) the District fails to pay, when due, an uninsured, final, non-appealable judgment or order for the payment of money in an aggregate amount exceeding \$10,000,000 rendered against the District and such judgment has not been vacated, discharged, satisfied or stayed by the District within 120 days;

(b) Each of the following is an "Event of Default" and an Event of Notice Termination under this Agreement:

(1) (a) the District fails to perform in all material respects any of the terms, conditions, covenants or agreements required to be performed by the District hereunder, or (b) a material default (other than a failure described in subsection (a)(4)) occurs under any Related Document as it exists on the date hereof, and in either such case such failure or default continues uncured for a period of 30 days after the District has been given notice thereof by the Bank); provided such 30-day cure period may be extended up to 30 days so long as such default is not reasonably capable of being cured in 30 days and the District commences and diligently pursues such cure; or

(2) the District fails to pay when due any amount payable under this Agreement (other than principal and interest due with respect to Bank Bonds); or

(3) the District fails to purchase Bank Bonds from the Bank on the dates and in the amounts required by Section 2.07 of this Agreement; or

(4) any representation or warranty made or deemed made by the District herein or in any Related Document to which it is a party or representation or warranty made or deemed made by the District in any other document, certificate or instrument delivered hereunder proves to have been untrue or incomplete in any material respect when made or deemed made; or

(5) the District defaults on any Indebtedness of at least \$100,000 and such failure shall continue after any applicable grace period; or

(6) any one of the Rating Agency assigns the District's long-term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons.

Section 6.02. Remedies. On the occurrence of an Event of Default and unless the Bank agrees in writing to waive such Event of Default, the Bank may:

(a) Upon the occurrence of an Event of Immediate Termination, the obligation of the Bank to purchase 2008B Bonds will immediately terminate without notice or demand and thereafter the Bank will be under no obligation to purchase 2008B Bonds. Promptly after the Bank receives written notice of any such Event of Immediate Default, the Bank will give written notice of the same to the Trustee, the District, the Tender Agent, the Bond Registrar, each Rating Agency, the LGC and the Remarketing Agent; provided, however, that the Bank will

incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the Bank's obligation to purchase 2008B Bonds pursuant to this Agreement.

(b) In the case of the occurrence of an Event of Notice Termination, the Bank may terminate its obligation under this Agreement by giving written notice to the District, the Trustee, the Tender Agent, the Bond Registrar, each Rating Agency, the LGC and the Remarketing Agent, specifying the date on which this Agreement shall terminate, which shall be a Business Day not less than 30 days from the date notice was received by the Trustee, and at 5:00 p.m. on the specified termination date, the Bank shall be under no further obligation to fund the purchase of any 2008B Bonds under this Agreement and this Agreement will terminate.

(c) In addition to the rights and remedies set forth in Sections 6.02(a) and (b) hereof, in the case of the occurrence of any Event of Default specified in Section 6.01 hereof, (i) upon the election of the Bank all accrued and unpaid interest and commitment fees, Accrued Interest Fees and other fees, if any, and all other amounts then owing by the District to the Bank hereunder (other than payments of principal and interest on the 2008B Bonds) shall become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the District, (ii) the Bank may exercise, at any time and from time to time, any and all rights of the Bank as a Holder or otherwise; and (iii) the Bank shall have all the rights and remedies available to it under this Agreement and the Related Documents to which it is a party, or otherwise provided at law or equity, including, without limitation, specific performance.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or consent to any departure by either party hereto therefrom is effective unless it is in writing and signed by both parties to this Agreement, and then such waiver or consent is effective for only the specific instance and for the specific purpose for which given.

Section 7.02. Notices. Except as expressly provided for herein, all notices and other communications provided for hereunder shall be in writing (including telegram, telecopier or other telecommunication device) and mailed, telegraphed, telecopied or delivered to each party at the address or telecopy number specified for such party on Exhibit D attached to this Agreement or at such other address or telecopy number as shall be designated in the Series Resolution or by such party in a written notice to the other party. All such notices and other communications shall be effective (i) if given by certified or registered mail, the third Business Day after such notice or other communication is deposited in the mails with the requisite postage prepaid and (ii) in all other cases, when received.

Section 7.03. No Waiver: Remedies. No failure on the part of either party hereto to exercise, and no delay in exercising, any right hereunder operates as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.04. Indemnification. The District hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (a) the execution and delivery of, or payment or failure to pay under, this Agreement, (b) the execution, delivery and sale of the 2008B Bonds, including without limitation any of the foregoing resulting from any misstatement or omission in the Remarketing Circular (other than under the caption heading "**THE STANDBY AGREEMENTS AND THE BANK**", **except for the subsection entitled "Substitute Liquidity Facility"**), or (c) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under this Agreement; provided that the District is not required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the gross negligence or willful misconduct of the Bank or (b) the Bank's failure to purchase 2008B Bonds hereunder after the presentation to it by the Trustee of a

certificate strictly complying with the terms and conditions hereof, any other document required under Article II, and any accompanying certificates that comport with the requirements for transfer stated in the 2008B Bonds. Nothing in this Section 7.04 is intended to limit the obligations of the District under this Agreement. If any action is brought against the Bank in respect of which indemnity may be sought against the District, the Bank shall promptly notify the District in writing, and the District shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. The Bank has the right to employ separate counsel in any such action and to participate in the defense thereof, and the reasonable fees and expenses of such counsel shall be at the expense of the Bank unless the named parties to any such action (including any impleaded parties) include both the District and the Bank and representation of the District and the Bank by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case the reasonable fees and expenses of such counsel shall be at the expense of the District. The District shall not be liable for any settlement of any such action effected without its consent by the Bank, but if settled with the consent of the District or if there is a final judgment for the plaintiff in any such action against the District or the Bank, with or without the consent of the District, the District agrees to indemnify and hold harmless the Bank to the extent provided herein.

Section 7.05. Continuing Obligation. This Agreement is a continuing obligation and is (a) binding on the parties hereto, their successors and assigns, and (b) inures to the benefit of and is enforceable by the parties hereto and their successors and assigns; provided that, neither party hereto may assign all or any part of this Agreement without the prior written consent of the other party hereto and each Rating Agency. Notwithstanding the foregoing sentence of this Section 7.05, the Bank may sell participations in all or a portion of its rights and obligations hereunder to one or more banks or trust companies, each of which is organized under the laws of the United States of America or any state thereof and has combined capital and surplus of at least \$100,000,000, and, in connection with any such sale of a participation, the Bank (i) shall remain responsible for the performance of its obligations hereunder and the District shall continue to deal solely and directly with the Bank in connection with its rights and obligations under this Agreement and (ii) may disclose to the participant or proposed participant any information relating to the District furnished to the Bank by or on behalf of the District.

Section 7.06. Liability of the Bank. Neither the Bank nor any of its officers or directors are liable or responsible for (a) any acts or omissions of the Tender Agent or the Remarketing Agent in connection with the purchase of the 2008B Bonds; (b) the validity, sufficiency or genuineness of documents, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstance whatsoever in making or failing to make payment hereunder, except only that the Bank is liable to the extent, but only to the extent, of any direct, as opposed to consequential, damages which were caused by (i) the Bank's gross negligence or willful misconduct or (ii) the Bank's failure to purchase 2008B Bonds hereunder after the presentation to it by the Tender Agent of a certificate strictly complying with the terms and conditions hereof, any other document required under Article II, and any accompanying certificates that comport with the requirements for transfer stated in the 2008B Bonds.

Section 7.07. Costs, Expenses and Taxes. The District agrees to pay or cause to be paid on demand all reasonable out-of-pocket expenses of the Bank, including fees and disbursements of counsel (which fees shall not exceed \$6,100), in connection with: (i) the preparation, execution, delivery, filing and administration of this Agreement, the Related Documents to which it is a party and otherwise in connection with the initial execution and delivery of the 2008B Bonds, (ii) any amendments, supplements, consents or waivers hereto or thereto, and (iii) an Event of Default under this Agreement, or any default or event of default by the District under the 2008B Bonds, any of the Related Documents to which it is a party or any other documents which may be delivered in connection herewith or therewith. In addition, the District shall pay any and all taxes, fees, costs or expenses payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement and such other documents and agree, to the extent permitted by law, to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes, fees, costs or expenses. It is the intention of the parties hereto that the District shall pay amounts referred to in this Section 7.07 directly. If the Bank pays any of the amounts referred to in this Section 7.07 directly, the District will reimburse the Bank for such advances and interest on such advance shall accrue until reimbursed at the Default Rate.

Section 7.08. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.09. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State.

Section 7.10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 7.11. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7.12. Additional Indemnification. In addition to and not in limitation of Section 7.04 of this Agreement, the District hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with any claim that the Bank is or was not the legal and equitable owner of any 2008B Bond for which purchase moneys were supplied by the Bank hereunder. It is the intention of the parties that as to any 2008B Bond as to which any such claim is made the Bank shall receive amounts equal to, and on the same dates as, the amounts which it would receive under this Agreement or any Related Document with respect to such 2008B Bond as the owner or registered owner thereof, and that such 2008B Bond shall for all purposes be considered a 2008B Bond purchased by the Bank hereunder. The liability of the District to the Bank under this Section 7.12 shall accrue immediately on assertion by any party whatsoever of any claim under or on account of said 2008B Bond irrespective of the manner or procedure in or which said assertion is made. If any action is brought against the Bank in respect of which indemnity may be sought against the District, the Bank shall promptly notify the District in writing, and the District shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. The Bank has the right to employ separate counsel in any such action (in which case the District may discharge any counsel previously employed by it to defend such action) and to participate in the defense thereof, and the reasonable fees and expenses of all such counsel shall be at the expense of the Bank unless the named parties to any such action (including any impleaded parties) include both the District and the Bank and representation of both the District and the Bank by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case the reasonable fees and expenses of such counsel shall be at the expense of the District. The District shall not be liable for any settlement of any such action effected without their consent by the Bank, but if settled with the consent of the District or if there be a final judgment for the plaintiff in any such action against the District or the Bank, with or without the consent of the District, the District agrees to indemnify and hold harmless the Bank to the extent provided herein.

Section 7.13. Covenants of District not Covenants of Officials Individually. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent, officer, council member, official or employee of the District in his or her individual capacity, and neither the members of the governing body of the District nor any other officer or employee of the District is subject to any personal liability or accountability by reason of the execution and delivery of this Agreement.

Section 7.14. Right of Set-Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default hereunder the Bank is hereby authorized at any time and from time to time, without notice to the District or to any other person or entity, any such notice being hereby expressly waived by the District, to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the District against and on account of the obligations of the District, irrespective of whether or not the Bank shall have made any demand hereunder and although said obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

Section 7.15. Waiver of Jury Trial. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED IN SECTION 7.16(a)) AS SET FORTH IN THIS AGREEMENT, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, THE DISTRICT AND THE BANK, TO THE EXTENT PERMITTED BY LAW, WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE DISTRICT AND THE BANK, AND THE DISTRICT AND THE BANK HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. THE DISTRICT AND THE BANK ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. THE DISTRICT FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 7.16. Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any controversy, claim or dispute between or among the parties to this Agreement, including any such controversy, claim or dispute arising out of or relating to (a) this Agreement, (b) any related agreements or instruments, or (c) the transaction contemplated herein or therein (including any claim based on or arising from any alleged personal injury or business tort) (each, a "*Dispute*") shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of AAA and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of the District or the Bank, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described in or evidenced by this Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in Buncombe County, North Carolina.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Agreement may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Agreement, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however,

that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservation of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Agreement.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Agreement, or (ii) apply to or limit the right of the Bank (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (D) to pursue rights against a party to this Agreement in a third-party proceeding in any action brought against the Bank in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). The Bank may exercise the rights set forth in clauses (A) through (D), inclusive, before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in this Agreement or the Related Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in this Agreement or any Related Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Agreement, (ii) any Related Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of June 1, 2012.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Peter S. Skilton
Senior Vice President

**METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY**

By: _____
W. Scott Powell
Director of Finance

EXHIBIT A

PURCHASE CERTIFICATE

The undersigned, a duly authorized officer of _____ (the "*Tender Agent*"), in its capacity as Tender Agent for the 2008B Bonds (the "*Bonds*") hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*"; any capitalized term used herein and not otherwise defined herein has its respective meaning as set forth in the Agreement) dated as of June 1, 2012, between the Metropolitan Sewerage District of Buncombe County, North Carolina and the Bank, that:

- (1) The Tender Agent is the Tender Agent under the Series Resolution relating to the Bonds.
- (2) Bonds in the principal amount of \$_____ have been delivered or deemed delivered to the Tender Agent in accordance with the provisions of the Bonds and the Series Resolution. Accrued but unpaid interest on the Bonds at the Interest Rate in the amount of \$_____ is payable by the Bank on the purchase of such Bonds.
- (3) If the Bonds are not held under a book-entry system, the Bonds are endorsed in blank or accompanied by documents of transfer satisfying the requirements of the Series Resolution or are registered in the name of the Bank or its agent or custodian in accordance with the terms of the Series Resolution.
- (4) If the Bonds are held pursuant to a book-entry system, the Bonds have been registered in the name of the Bank pursuant to the terms of the Series Resolution.
- (5) The total amount set forth in this Purchase Certificate representing the purchase price of the Bonds pursuant to paragraph (2) hereof is \$_____ and was computed in accordance with the terms and conditions of the Bonds and the Series Resolution.
- (6) The Tender Agent has no other funds available to purchase the Bonds hereby tendered to the Bank.
- (7) The purchase price referred to in paragraph (6) should be delivered by wire transfer as follows:

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this certificate as of the ____ day of _____, _____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT B

**[TENDER AGENT'S CERTIFICATE
FOR TERMINATION OF COMMITMENT
(CONVERSION OF BONDS TO NON-WEEKLY RATE)]**

The undersigned, _____ (the "*Tender Agent*"), as Tender Agent under that certain Series Resolution adopted March 25, 2008 (the "*Series Resolution*"), by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "*District*"), hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*") dated as of June 1, 2012 between the District, and the Bank that the interest rate determination method with respect to all of the 2008B Bonds has been converted to a Non-Weekly Rate (as defined in the Agreement). Upon receipt of this Certificate and subsequent to the mandatory purchase required under the Series Resolution in connection with such termination, the obligation of the Bank to purchase 2008B Bonds under the Agreement shall terminate.

IN WITNESS WHEREOF the Tender Agent has executed and delivered this Certificate as of the _____ day of _____, ____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT C

**[TENDER AGENT'S CERTIFICATE FOR
TERMINATION OF COMMITMENT
(NO BONDS OUTSTANDING)]**

The undersigned, _____ (the "*Tender Agent*"), as Tender Agent under that certain Series Resolution adopted March 25, 2008 (the "*Series Resolution*"), by the Metropolitan Sewerage District of Buncombe County, North Carolina and The Bank of New York Mellon Trust Company, N.A., as Trustee, hereby certifies to Wells Fargo Bank, National Association (the "*Bank*"), with reference to the Standby Bond Purchase Agreement (as amended from time to time, the "*Agreement*") dated as of June 1, 2012 between the District and the Bank that no 2008B Bonds (as defined in the Agreement) remain outstanding under the Series Resolution. Upon receipt of this Certificate, the obligation of the Bank to purchase 2008B Bonds under the Agreement shall terminate.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of the ____ day of _____, ____.

[NAME OF TENDER AGENT],
as Tender Agent

By: _____
Title: _____

EXHIBIT D

NOTICES

District: Metropolitan Sewerage District of Buncombe County
2028 Riverside Drive
Asheville, North Carolina 28804
Attention: Director of Finance
Telephone: (828) 225-8214
Facsimile: (828) 232-5530

Trustee or Tender Agent: The Bank of New York Mellon Trust Company, N.A.
Corporate Division
10161 Centurion Parkway
Jacksonville, Florida 32256
Telephone: (904) 998-4725
Facsimile: (904) 645-1932

Remarketing Agent: Wells Fargo Securities
301 S. College Street, 7th Floor
MAC D1053-077
Charlotte, North Carolina 28202-6000
Attention: Rick White
Telephone: (704) 383-6452
Facsimile: (704) 383-0065

Bank: Wells Fargo Bank, National Association
301 South College Street
4th Floor – D1053-041
Charlotte, North Carolina 28202
Attention: Peter S. Skilton, Senior Vice President
Telephone: (704) 383-7577
Facsimile: (704) 383-8697

REMARKETING – BOOK-ENTRY ONLY

RATINGS: See “SECTION VIII: RATINGS” herein

Concurrently with the original issuance and delivery of the Series 2008A Bonds and Series 2008B Bonds, Sidley Austin LLP, New York, New York, Bond Counsel, delivered its opinions (the “Approving Opinions”) to the effect that as of the respective dates of issuance of the Series 2008A Bonds and Series 2008B Bonds, assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Series 2008A Bonds and Series 2008B Bonds, respectively, would not be includable in the gross income of the respective Bondholders thereof for federal income tax purposes and such interest would not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. In the respective Approving Opinions, Sidley Austin LLP also delivered its opinion that interest on the Series 2008A Bonds and Series 2008B Bonds is exempt from income taxes imposed by the State of North Carolina. The Approving Opinions have not been updated or reissued in connection with the substitution of the Liquidity Facilities and the remarketing of the Series 2008A Bonds and Series 2008B Bonds. On _____, 2012, the Substitution Date, Sidley Austin LLP, Bond Counsel, will deliver an opinion with respect to the Series 2008A Bonds and an opinion with respect to the Series 2008B Bonds to the effect that the substitution of the related Liquidity Facility will not in and of itself impair the exclusion of interest on the Series 2008A Bonds and Series 2008B Bonds, respectively, from gross income for purposes of federal income taxation. Bond Counsel will not express an opinion regarding the current status of such interest for federal income tax purposes. See “SECTION VII: TAX MATTERS” herein for further information.

§**METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA****Sewerage System Revenue Refunding Bonds,****Series 2008**

consisting of

§ Sewerage System Revenue Refunding Bonds, Series 2008A**Dated: May 1, 2008****Price: 100%****Due: July 1, 2032****CUSIP:****and****§ Sewerage System Revenue Refunding Bonds, Series 2008B****Dated: May 1, 2008****Price: 100%****Due: July 1, 2031****CUSIP:**

The Series 2008A Bonds and the Series 2008B Bonds offered hereby (collectively, the “Series 2008 Bonds”) were originally issued by the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”). The Series 2008A Bonds were issued for the purpose of providing funds, together with other available funds, to (1) refund the District’s outstanding Sewerage System Revenue Refunding Bonds, Series 2005 and (2) pay certain expenses incurred in connection with the issuance of the Series 2008A Bonds. The Series 2008B Bonds were issued for the purpose of providing funds, together with other available funds, to (1) refund the District’s outstanding Sewerage System Revenue Refunding Bonds, Series 2004 and (2) pay certain expenses incurred in connection with the issuance of the Series 2008B Bonds. The principal of and interest on the Series 2008 Bonds are payable solely from, and secured solely by a pledge of, the Net Receipts (as defined herein) of the System (as defined herein) and certain other moneys under the terms of the Bond Order (as defined herein). Neither the faith and credit nor the taxing power of the State of North Carolina or any other political subdivision thereof is pledged to the payment of the Series 2008 Bonds. The Series 2008 Bonds do not obligate the State of North Carolina or any political subdivision thereof to levy any taxes therefor or to make any provision for their payment except from funds made available therefor under the Bond Order.

The Series 2008 Bonds were delivered bearing interest initially at a Weekly Interest Rate. The Series 2008 Bonds continue to bear interest at a Weekly Interest Rate and such interest is payable on each Interest Payment Date. While the Series 2008 Bonds bear interest at the Weekly Interest Rate, each Series 2008 Bond is subject to tender for purchase at the option of the Owner thereof on any Business Day upon seven days’ irrevocable written notice, subject to certain conditions. The method of determining the interest rate for Series 2008 Bonds may be changed from time to time to Bond Interest Term Rates or a Long-Term Interest Rate as described herein. Wells Fargo Bank National Association serves as the Remarketing Agent for the Series 2008 Bonds. See “THE SERIES 2008 BONDS” herein.

The District and Wells Fargo Bank National Association (“Wells Fargo,” or the “Bank”) will enter into separate Standby Bond Purchase Agreements each dated as of _____, 2012 with respect to the Series 2008A Bonds and the Series 2008 B Bonds (the “Series 2008A and Series 2008B Liquidity Facilities”) in substitution for the existing liquidity facilities with respect to the Series 2008 Bonds. On and after _____, 2012 (the “Substitution Date”), payment of the purchase price of eligible Series 2008A Bonds and Series 2008B Bonds subject to optional or mandatory tender for purchase as described herein and not remarketed by the Remarketing Agent will be made by the Bank. Under certain circumstances described herein, the obligation of the Bank to purchase Series 2008A and Series 2008B Bonds may be immediately and automatically terminated or suspended. The Series 2008A and Series 2008B Bonds will continue to bear interest at the Weekly Interest Rate, subject to conversion as described herein.

OWNERS AND PROSPECTIVE PURCHASERS OF SERIES 2008 BONDS SHOULD NOT RELY ON THIS REOFFERING CIRCULAR WITH RESPECT TO INFORMATION CONCERNING SERIES 2008 BONDS ON OR AFTER CONVERSION OF SUCH BONDS TO A LONG-TERM INTEREST RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS TO THIS REOFFERING CIRCULAR FOR INFORMATION CONCERNING SUCH SERIES 2008 BONDS ON OR AFTER THEIR CONVERSION TO A LONG-TERM INTEREST RATE PERIOD.

The Series 2008 Bonds have been issued and will be reoffered only in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as the securities depository for the Series 2008 Bonds. While the Series 2008 Bonds bear interest at a Weekly Interest Rate or Bond Interest Term Rates, individual purchases of the Series 2008 Bonds by the beneficial owners will be made in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. So long as Cede & Co. is the registered owner of the Series 2008 Bonds, as nominee for DTC, references herein to registered owners or Owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2008 Bonds. So long as Cede & Co. is the registered owner of the Series 2008 Bonds, the principal of and interest on the Series 2008 Bonds are payable by the Bond Registrar to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners.

The Series 2008A Bonds and Series 2008B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Reoffering Circular to obtain information essential to making an informed investment decision.

In connection with the substitution of the Liquidity Facilities for the Series 2008A Bonds and the Series 2008B Bonds, certain legal matters will be passed upon by Sidley Austin LLP, New York, New York, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its counsel, Roberts & Stevens, P.A., Asheville, North Carolina. Certain legal matters will be passed upon for Wells Fargo by its counsel, McGuire Woods LLP, Charlotte, North Carolina. The District expects to complete the substitution of the Liquidity Facilities and the remarketing of the Series 2008A Bonds and Series 2008B Bonds in New York, New York on _____, 2012.

WELLS FARGO BANK NATIONAL ASSOCIATION**Remarketing Agent for the
Series 2008 Bonds**

_____, 2012

* Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor’s, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2008A Bonds and Series 2008B Bonds. The District is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2008A Bonds and Series 2008B Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2008A Bonds and Series 2008B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2008A Bonds and Series 2008B Bonds.

The information in this Reoffering Circular has been provided by the District and other sources considered by the District to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. Neither the District, its advisors, nor the Remarketing Agents assume any responsibility for material furnished by the Bank in "SECTION IV: THE LIQUIDITY FACILITIES AND THE BANK—The Bank" herein.

The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agent has reviewed the information in this Reoffering Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the District or the Remarketing Agent to give any information or to make any representation with respect to the Series 2008A Bonds and Series 2008B Bonds, other than those contained in this Reoffering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Reoffering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Reoffering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2008A Bonds or Series 2008B Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE SERIES 2008A BONDS and SERIES 2008B BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY CORPORATION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008A BONDS AND SERIES 2008B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SECTION I: INTRODUCTION

This Reoffering Circular of the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) sets forth information concerning the District in connection with the reoffering of the District’s, \$ _____,000 Sewerage System Revenue Refunding Bonds, Series 2008A (the “Series 2008A Bonds”) and \$ _____,000 Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds” and collectively with the Series 2008A Bonds, the “Series 2008 Bonds”).

The Series 2008 Bonds were originally issued pursuant to (1) the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the General Statutes of North Carolina, as amended, and, in accordance with the provisions thereof, The State and Local Government Revenue Bond Act, being Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended (collectively, the “Enabling Act”); (2) an Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (the “Bond Order”); and (3) series resolutions, both adopted by the District Board of the District on March 25, 2008 (the “Series Resolutions”). Under the Bond Order, The Bank of New York Mellon Trust Company, N.A. serves as the trustee (the “Trustee”). The Bank of New York Trust Company, N.A. also serves as Bond Registrar and Tender Agent for both series of the Series 2008 Bonds. A summary of certain provisions of the Bonds Order and the Series Resolutions, together with certain defined terms used therein and in this Reoffering Circular, are contained in Appendix D to the District’s Official Statement dated March 27, 2008, relating to the Series 2008 Bonds, which Appendix is included by specific reference herein, as described below under SECTION II: INCLUSION BY SPECIFIC REFERENCE.

The liquidity facilities currently in effect with respect to the Series 2008A Bonds and the Series 2008B Bonds are Standby Bond Purchase Agreements, as amended, delivered by Bank of America, N.A., (“Bank of America”), simultaneously with the original issuance of the Series 2008A Bonds and Series 2008B Bonds.] On _____, 2012 (the “Substitution Date”), the Series 2008A Bonds and Series 2008B Bonds will be subject to mandatory tender for purchase and remarketing as a result of the substitution of a new liquidity facility for each Series of the Series 2008A Bonds and Series 2008B Bonds for the liquidity facilities provided by Bank of America, which will terminate on such date. On and as of the Substitution Date, the District and Wells Fargo Bank, National Association (“Wells Fargo,” or the “Bank”), will enter into separate Standby Bond Purchase Agreements, each dated as of _____, 2012 with respect to each of the Series 2008A Bonds and the Series 2008B Bonds (the “Liquidity Facilities”). [See “SECTION IV — THE LIQUIDITY FACILITIES AND THE BANK”.

For the period beginning on the Substitution Date and ending on the respective maturity dates of the Series 2008A Bonds and Series 2008B Bonds (unless each such period is earlier terminated upon the occurrence of certain events), payment of the Purchase Price of eligible Series 2008A Bonds and Series 2008B Bonds that are subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent will be made by the Bank under and pursuant to, and subject to the terms, conditions and provisions of, the Liquidity Facilities. Under certain circumstances described herein, the obligation of the Bank to purchase Series 2008A Bonds and Series 2008B Bonds may be immediately and automatically terminated or suspended. In such event, the right of the owners of Series 2008A Bonds and 2008B Bonds to tender such Series 2008A Bonds and Series 2008B Bonds for purchase will be terminated or suspended (in certain circumstances, immediately and without prior notice to such owners) and funds may not be available to purchase Series 2008A Bonds and Series 2008B Bonds that are subject to tender for purchase. The Liquidity Facilities do not support or secure the payment of the principal of, premium, if any, or interest on the Series 2008A Bonds and Series 2008B Bonds.

The Series 2008A Bonds and Series 2008B Bonds may be converted to bear interest in other Interest Rate Periods as described in “SECTION III: THE SERIES 2008A BONDS AND SERIES 2008B BONDS — Adjustment of Interest Rate Periods.” Any such conversion would result in a mandatory tender of the Series 2008A Bonds and Series 2008B Bonds being so converted.

SECTION II: INCLUSION BY SPECIFIC REFERENCE

On April 1, 2008, the District issued the Series 2008A Bonds and on May 1, 2008, the District issued the Series 2008B Bonds. The Series 2008 Bonds were offered by an Official Statement, dated March 27, 2008 (the “Series 2008 Official Statement”), which has been filed (<http://emma.msrb.org/MS64351-MS266562-MD524244.pdf>) with the Electronic Municipal Market Access system (“EMMA”) established by the Municipal Securities Rulemaking Board (www.emma.msrb.org). Portions of the Series 2008 Official Statement (the “Series 2008 Official Statement”), subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions below.

SECURITY FOR THE BONDS

APPENDIX D—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

SECTION III: THE SERIES 2008A BONDS AND SERIES 2008B BONDS

The following descriptions of the Series 2008 Bonds are equally applicable to the Series 2008A Bonds and the Series 2008B Bonds. Apart from their respective dates of issuance, initial interest rate payment dates, maturity dates and annual sinking fund installments, the provisions of the Series Resolutions for the Series 2008A Bonds and the Series 2008B Bonds are virtually identical, and provisions described as applicable to the Series 2008 Bonds are equally applicable to the Series 2008A Bonds and the Series 2008B Bonds.

General

Each of the Series 2008A Bonds and Series 2008 B Bonds are dated as of their respective dates of issuance and will be reoffered to bear interest at a Weekly Interest Rate, payable on _____, 2012 and on each Interest Payment Date thereafter, at the rates described herein. The Series 2008A Bonds will mature, subject to prior redemption as described herein, on July 1, 2032. The Series 2008B Bonds will mature, subject to prior redemption as described herein, on July 1, 2031. The Series 2008 Bonds will be issued as fully registered bonds in book-entry-only form and will be subject to the provisions of the book-entry system described in APPENDIX H hereto. While the Series 2008 Bonds bear interest at a Weekly Interest Rate or Bond Interest Term (“BIT”) Rates, and while they bear interest at a Long-Term Interest Rate if they are not rated Investment Grade by at least one Rating Agency, individual purchases of the Series 2008 Bonds by the Beneficial Owners will be made in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. While the Series 2008 Bonds bear interest at a Long-Term Interest Rate, if such Bonds are rated Investment Grade by at least one Rating Agency, individual purchases of the Series 2008 Bonds by the Beneficial Owners will be made in denominations of \$5,000 or any integral multiple thereof.

Each Series 2008 Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated on an Interest Payment Date in which event it will bear interest from such Interest Payment Date or (b) authenticated prior to the first Interest Payment Date in which event it will bear interest from its date; provided, however, that if at the time of

authentication interest on any Series 2008 Bond is in default, such Series 2008 Bond will bear interest from the date to which interest has been paid or, if no interest has been paid, from its date.

On the Substitution Date the Series 2008 Bonds will bear interest at a Weekly Interest Rate. The method of determining interest rates for the Series 2008 Bonds may be changed from a Weekly Interest Rate to BIT Rates or a Long-Term Interest Rate as described below. Each period during which Weekly Interest Rates are in effect is known as a Weekly Interest Rate Period; each period during which BIT Rates are in effect is known as a Short-Term Interest Rate Period, and each period during which a Long-Term Interest Rate is in effect is known as a Long-Term Interest Rate Period. An Interest Rate Period means any Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

The principal of and premium, if any, on the Series 2008 Bonds will be payable at the office of the Bond Registrar designated for the delivery of Series 2008 Bonds. Interest on the Series 2008 Bonds will be paid by the Bond Registrar (a) with respect to any Weekly Interest Rate Period, on the first Business Day of each calendar month, (b) with respect to any BIT within a Short-Term Interest Rate Period, on the day next succeeding the last day of such BIT, (c) with respect to any Long-Term Interest Rate Period, on each January 1 and July 1, of, if any such January 1 or July 1 is not a Business Day, on the next succeeding Business Day and (d) with respect to each Interest Rate Period, on the day next succeeding the last day thereof, provided, however, that interest on any Bank Bond will be paid on the dates specified in the Liquidity Facility pursuant to which such Bank Bonds were purchased with moneys advanced by the Bank. Except as otherwise provided for in the Liquidity Facility for the payment of interest on Bank Bonds, interest on the Series 2008 Bonds during any Weekly Interest Rate Period or Long-Term Interest Rate Period will be paid by check mailed to the Owner as of the Regular Record Date. In the case of (a) Series 2008 Bonds bearing interest at BIT Rates or (b) any Owner of Series 2008 Bonds bearing interest at a Weekly Interest Rate or Long-Term Interest Rate in an aggregate principal amount in excess of \$1,000,000 as shown on the registration books maintained by the Bond Registrar who, prior to the Regular Record Date next preceding any Interest Payment Date; shall have provided, or caused to be provided, the Bond Registrar with wire transfer instructions, interest payable on such Series 2008 Bonds will be paid in accordance with the wire transfer instructions provided by the Owners of such Series 2008 Bonds (or by the Remarketing Agent on behalf of such Owners). Interest on any Series 2008 Bond bearing interest at a BIT Rate will be payable only upon presentation and surrender of such Series 2008 Bond to the Tender Agent at its office designated for the delivery of Series 2008 Bonds. Notwithstanding the foregoing, so long as a Securities Depository Nominee is the sole registered owner of the Series 2008 Bonds, interest on the Series 2008 Bonds will be payable pursuant to the procedures of the Securities Depository as in effect from time to time.

The Series 2008 Bonds are subject to optional and mandatory tender for purchase under certain circumstances as described below.

Interest Rates

Interest will be computed, in the case of a Weekly Interest Rate Period or a Short-Term Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed and, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day Year consisting of twelve 30-day months.

The term of the Series 2008 Bonds will be divided into consecutive Interest Rate Periods selected by the District during which the Series 2008 Bonds will bear interest at interest rates as described below. At any time, all Series 2008A Bonds will bear interest at a Weekly Interest Rate, BIT Rates or a Long-Term Interest Rate, and all Series 2008B Bonds will bear interest at a Weekly Interest Rate, BIT Rates or

a Long-Term Interest Rate. During a Short-Term Interest Rate Period, Series 2008 Bonds may bear interest at different BIT Rates and have BITs of different durations. At no time will any Series 2008 Bond (except a Bank Bond) bear interest in excess of 12% per annum (the “Maximum Rate”). At no time will any Bank Bond bear interest in excess of 25% per annum. For any Weekly Interest Rate Period, interest will accrue from the first day thereof and thereafter from the first Business Day of each calendar month, to and including the day prior to either the first Business Day of the next succeeding calendar month or, if sooner, the last day of the Weekly Interest Rate Period. For any BIT within a Short-Term Interest Rate Period, interest will accrue from the first day thereof to and including the last day thereof. For any Long-Term Interest Rate Period, interest will accrue from the first day thereof and thereafter from each Interest Payment Date in respect thereof (other than the last such Interest Payment Date), to and including the day immediately preceding the next succeeding Interest Payment Date.

Weekly Interest Rate Period. The Weekly Interest Rate will be determined by the Remarketing Agent on Wednesday of each week during a Weekly Interest Rate Period or on the next succeeding Business Day if such Wednesday is not a Business-Day. The Weekly Interest Rate determined for the initial Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period ends on a day other than Wednesday, in which event the last Weekly Interest Rate will apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2008 Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2008 Bonds, would enable the Remarketing Agent to sell the Series 2008 Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week during a Weekly Interest Rate Period, the interest rate for such week will be the same as the Weekly Interest Rate for the immediately preceding week, if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. If the Remarketing Agent did not determine the Weekly Interest Rate for the immediately preceding week, or if a Weekly Interest Rate determined by the Remarketing Agent for any week is held to be invalid or unenforceable by a court of law, the interest rate for such week will be deemed to be equal to 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported to The Wall Street Journal on the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent.

Short-Term Interest Rate Period. During each Short-Term Interest Rate Period, each Series 2008 Bond will bear interest at the BIT Rate determined for the BIT applicable to such Series 2008 Bond by the Remarketing Agent no later than the first day of each BIT. Each BIT will be a period of not more than 180 days, as determined by the Remarketing Agent. In determining the duration of each BIT, the Remarketing Agent will take into account the following factors: (a) existing short-term tax-exempt market rates and indices of such short-term rates, (b) existing market supply and demand for short-term tax-exempt securities, (c) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 2008 Bonds, (d) general economic conditions, (e) economic and financial conditions that may affect or be relevant to the Series 2008 Bonds, (f) the BITs of other Series 2008 Bonds and (g) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, determines to be relevant.

The Remarketing Agent will announce, by no later than 9:00 a.m., New York City time, on the first day of each BIT, the ranges of possible BITs. The BIT and the BIT Rate for the Series 2008 Bonds need not be the same for any two Series 2008 Bonds, even if determined on the same date.

The BIT Rate for each BIT will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the Series 2008 Bonds and known by the Remarketing Agent to have been priced or traded under the then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2008 Bonds for such BIT, would enable the Remarketing Agent to sell such Series 2008 Bonds on the date and at the time of such determination at a price (without regard to accrued interest) equal to the principal amount thereof.

If for any reason a BIT for any Series 2008 Bond cannot be so determined by the Remarketing Agent, or if the determination of such BIT is held by a court of law to be invalid or unenforceable, such BIT will be 30 days, provided that if the last day so determined is not a day immediately preceding a Business Day, such BIT will end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the maturity date of the Series 2008 Bonds, such BIT will end on the day immediately preceding the maturity date. If for any reason a BIT Rate for any Series 2008 Bond is not so established by the Remarketing Agent for any BIT, or such BIT Rate is determined by a court of law to be invalid or unenforceable, then the BIT Rate for such BIT will be the rate per annum equal to 70% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by The Wall Street Journal on the first day of such BIT with a maturity that most nearly equals the BIT for which a BIT Rate is being so calculated.

Long-Term Interest Rate Period. The duration of a Long-Term Interest Rate Period will be determined by the District, which duration will be at least 181 days. The Long-Term Interest Rate during a Long-Term Interest Rate Period will be determined by the Remarketing Agent on a Business Day no earlier than two weeks before the effective date of such Long-Term Interest Rate Period and no later than the effective date of such Long-Term Interest Rate Period. The Long-Term Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2008 Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2008 Bonds, would enable the Remarketing Agent to sell the Series 2008 Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof; provided; however, the Series 2008 Bonds maybe sold at a price other than a price equal to the principal amount thereof if the District, the Trustee and the Remarketing Agent receive a Favorable Opinion of Bond Counsel. If, for any reason, the Remarketing Agent does not determine a Long-Term Interest Rate on or prior to the first day of such Long-Term Interest Rate Period, then the Series 2008 Bonds will bear interest at a Weekly Interest Rate, and will continue to bear interest at a Weekly Interest Rate until properly adjusted otherwise.

During a Long-Term Interest Rate Period, the District may elect to provide for a Liquidity Facility to be in effect, but the District is not required to do so, so long as each Rating Agency then maintaining a long-term rating on the Series 2008 Bonds has assigned a long-term rating to the Series 2008 Bonds that is not below its second highest rating category, without regard to gradations by numerical modifier or otherwise.

OWNERS AND PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS SHOULD NOT RELY ON THIS REOFFERING CIRCULAR WITH RESPECT TO INFORMATION CONCERNING THE SERIES 2008 BONDS ON OR AFTER CONVERSION

TO A LONG-TERM INTEREST RATE PERIOD, BUT SHOULD LOOK SOLELY TO SUPPLEMENTS TO THIS REOFFERING CIRCULAR FOR INFORMATION CONCERNING THE SERIES 2008 BONDS ON OR AFTER A CONVERSION TO A LONG-TERM INTEREST RATE PERIOD.

Adjustment of Interest Rate Periods

The District may elect at any time to adjust the Interest Rate Period on the Series 2008 Bonds from one Interest Rate Period to an alternate Interest Rate Period (or during a Long-Term Interest Rate Period, to establish another Long-Term Interest Rate Period), subject to certain conditions specified in the Series Resolution, including delivery of a Favorable Opinion of Bond Counsel.

If the District elects to adjust the Series 2008A Bonds or the Series 2008B Bonds to an alternate Interest Rate Period (including during a Long-Term Interest Rate Period, to establish another Long-Term Interest Rate Period), all of the Series 2008 Bonds of such series will be subject to such alternate Interest Rate Period. The written direction by which the District makes such election will specify (a) in the case of an adjustment to a Long-Term Interest Rate Period, the duration of such Long-Term Interest Rate Period; (b) the effective date of the adjustment to any alternate Interest Rate Period, which effective date will be (i) a Business Day not earlier than the 12th day (15th day in the case of an adjustment to a Weekly Interest Rate Period or Short-Term Interest Rate Period from a Long-Term Interest Rate Period, and 30th day in the case of an adjustment to a, or the establishment of another, Long-Term Interest Rate Period) following the second Business Day after receipt by the Bond Registrar of such direction from the District, (ii) in the case of an adjustment from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Series 2008 Bonds of such series would otherwise be subject to optional redemption during such Long-Term Interest Rate Period if such adjustment did not occur, (iii) in the case of an adjustment from a Weekly Interest Rate Period to a Short-Term Interest Rate Period, the day immediately following the last day of such Weekly Interest Rate Period and (iv) in the case of an adjustment from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period; and (c) the date of delivery for such Series 2008 Bonds to be purchased. With respect to any adjustment to a Long-Term Interest Rate Period, such direction of the District may specify redemption prices greater, and noncallable periods longer, than those set forth in "Redemption Provisions - Optional Redemption" below, if approved by Bond Counsel. A change to an alternate Interest Rate Period may not take place unless a Favorable Opinion of Bond Counsel is delivered on the effective date of such change.

The Bond Registrar will give notice by first-class mail of any adjustment to a new Interest Rate Period not less than 12 days (15 days if the then-current Interest Rate Period is a Long-Term Interest Rate Period, and 30 days in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period) prior to the effective date of such new Interest Rate Period. Such notice will state (a) that the interest rate on the Series 2008A Bonds or the Series 2008B Bonds will be adjusted to a Weekly Interest Rate, BIT Rates or a Long-Term Interest Rate, or continue to be a Long-Term Interest Rate, as appropriate, unless (i) Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of such adjustment, (ii) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period or Short-Term Interest Rate Period, the District fails to deliver to the Trustee, the Bank, if any, and the Remarketing Agent a Rating Confirmation Notice on the effective date of such adjustment or (iii) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period, the District elects, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause such adjustment, in which case the Series 2008 Bonds of such series, if being adjusted from a Weekly Interest Rate Period or a Short-Term Interest Rate Period, will continue to bear interest at a Weekly Interest Rate or BIT Rates as in effect immediately prior to such proposed adjustment in the Interest Rate Period, or, if being adjusted from a Long-Term Interest Rate Period, will bear interest

at a Weekly Interest Rate, for the period commencing on the date which would have been the effective date of such proposed Interest Rate Period; (b) the effective date of such alternate Interest Rate Period, and in the case of an adjustment to a, or the establishment of another, Long-Term Interest Rate Period, the last day of such Long-Term Interest Rate Period or in the case of an adjustment to a Short-Term Interest Rate Period, that a BIT and a BIT Rate for each Series 2008A Bond or Series 2008B Bond will be determined not later than the first day of such BIT; (c) that the Series 2008 Bonds are subject to mandatory tender for purchase on the effective date of the new Interest Rate Period; and (d) the applicable purchase price on such date.

Upon the failure of an adjustment to an alternate Interest Rate Period, the Series 2008A Bonds or the Series 2008B Bonds, as applicable, will bear interest as provided in clause (a) of the notice described in the immediately preceding paragraph. If notice of such adjustment has been mailed to the Owners of such Series 2008 Bonds as provided in the Series Resolution and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as therein described, such Series 2008 Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment. If the District has not made a timely election prior to the end of any Long-Term Interest Rate Period that, during the next succeeding Interest Rate Period, the related Series 2008 Bonds will bear interest at a specified interest rate, the next succeeding Interest Rate Period for the related Series 2008 Bonds will be a Weekly Interest Rate Period until properly adjusted otherwise.

In connection with an adjustment to any Interest Rate Period that would require the mandatory tender for purchase of the Series 2008A Bonds or the Series 2008B Bonds at a purchase price (exclusive of accrued interest) greater than the principal amount thereof under the circumstances described in “Tender Provisions - Mandatory Tender for Purchase on First Day of Each Interest Rate Period” below, the District, as a condition to exercising its option to Cause an adjustment to the Interest Rate Period, is required to deliver to the Trustee prior to the Bond Registrar mailing notice of such adjustment in the Interest Rate Period, Available Moneys for the purpose of paying such premium, unless the Liquidity Facility then in effect provides for payment of such premium.

In the event that the District elects to rescind its election to adjust the interest rate on the Series 2008A Bonds or the Series 2008B Bonds to a Long-Term Interest Rate, then such interest rate will not be so adjusted and the applicable Series 2008 Bonds will bear interest at a Weekly Interest Rate or BIT Rates as in effect prior to such election, or if such Series 2008 Bonds were to be adjusted from another Long-Term Interest Rate, then such Series 2008 Bonds will bear interest at a Weekly Interest Rate for the period commencing on the date which would have been the effective date of such Long-Term Interest Rate Period. In either such case, such Series 2008 Bonds will continue to be subject to mandatory tender for purchase on the day which would have been the effective date of such Long-Term Interest Rate Period.

Tender Provisions

THE SERIES RESOLUTIONS PROVIDE THAT SO LONG AS CEDE & CO. IS THE SOLE REGISTERED OWNER OF THE RELATED SERIES OF SERIES 2008 BONDS, ALL TENDERS FOR PURCHASE AND DELIVERIES OF SUCH SERIES OF SERIES 2008 BONDS TENDERED FOR PURCHASE OR SUBJECT TO MANDATORY TENDER UNDER THE PROVISIONS OF THE APPLICABLE SERIES RESOLUTION SHALL BE MADE PURSUANT TO DTC’S PROCEDURES AS IN EFFECT FROM TIME TO TIME, AND NEITHER THE DISTRICT, THE TENDER AGENT, THE TRUSTEE, THE BOND REGISTRAR NOR THE REMARKETING AGENT FOR SUCH SERIES OF 2008 BONDS SHALL HAVE ANY RESPONSIBILITY FOR OR LIABILITY WITH RESPECT TO THE IMPLEMENTATION OF SUCH PROCEDURES.

Optional Tender for Purchase During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2008 Bond will be purchased in whole (or in part if both the amount purchased and the amount remaining unpurchased will consist of Authorized Denominations) from its Owner at the option of such Owner on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of Purchase, unless the date of purchase shall be an Interest Payment Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery by such Owner to the Tender Agent at its Designated Office for Notices of an irrevocable written notice which states the principal amount of such Series 2008 Bond and the date on which such Series 2008 Bond is to be purchased, which date must be a Business Day at least seven days after the date of delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received by the Tender Agent on the next succeeding Business Day.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each BIT. On the day next succeeding the last day of each BIT (unless such day is the first day of a new Interest Rate Period in which case the Series 2008 Bonds will be subject to mandatory tender for purchase as provided in the next paragraph), the Owner of a Series 2008 Bond will be required to tender for purchase such Series 2008 Bond and such Series 2008 Bond will be purchased at a purchase price equal to the principal amount thereof.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2008 Bonds will be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event which resulted in the interest rate on the Series 2008 Bonds not being adjusted), in the event of a conversion from one Interest Rate Period to another Interest Rate Period, at a purchase price equal to the principal amount of the Series 2008 Bonds or, in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a purchase price equal to the optional redemption price which would have been applicable to the Series 2008 Bonds on such mandatory purchase date if such preceding Long-Term Interest Rate Period had continued to the day originally established on the last day thereof, plus accrued interest, if any.

Mandatory Tender for Purchase Upon Expiration, Substitution, Cancellation or Termination of Liquidity Facility. Prior to the date when the interest rate on a series of the Series 2008 Bonds is established at a Long-Term Interest Rate (or during the Long-Term Interest Rate Period if a Liquidity Facility is then in effect), such Series 2008 Bonds will be subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the date of purchase:

(a) on a Business Day which is at least five (5) days prior to the date on which such Liquidity Facility is to be cancelled by the District in connection with its replacement by a Substitute Liquidity Facility; or

(b) except in the case of an Authorized Liquidity Termination, on a Business Day which is at least five (5) days prior to (A) a termination pursuant to an “event of default” (as defined in the Liquidity Facility) written notice of which has been delivered by the Bank to the District, the Trustee, the Tender Agent and the Bond Registrar, or (B) expiration of the Liquidity Facility. For information regarding the events of default under an initial Liquidity Facility, see “SECTION IV: THE LIQUIDITY FACILITIES AND THE BANK” herein.

Notwithstanding the foregoing, in the event that in connection with any such cancellation, termination or expiration of an existing Liquidity Facility and replacement thereof by a Substitute Liquidity Facility, the District delivers to the Trustee, the Bond Registrar, the Tender Agent and the Remarketing Agent, prior to the date that notice of such cancellation, termination or expiration and substitution is given by the Bond Registrar, a Rating Confirmation Notice, then the related Series 2008 Bonds will not be subject to mandatory tender for purchase as provided above solely as a result of such cancellation, termination or expiration and substitution.

Occurrence Of an Authorized Liquidity Termination. Upon the occurrence of an Authorized Liquidity termination, the related Series 2008 Bonds will no longer be subject to purchase from funds provided under the Liquidity Facility. If the Tender Agent receives notice of the occurrence of an Authorized Liquidity Termination, it will immediately notify the Trustee and the Bond Registrar of such occurrence, and the Trustee will cause the Bond Registrar to notify the Local Government Commission and the Owners of the related Series 2008 Bonds within one Business Day following its receipt of such notice that an Authorized Liquidity Termination has occurred.

Irrevocable Notice Deemed to be Tender of Series 2008 Bonds. The giving of notice by an Owner of its election to have its Series 2008 Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such Series 2008 Bond regardless of whether such Series 2008 Bond is delivered to the Tender Agent for purchase on the relevant purchase date.

Payment of Purchase Price by the District if Liquidity Facility is in Effect; Insufficient Funds for Purchase of Series 2008 Bonds; Loss of Liquidity. While the Series 2008 Bonds of a series bear interest at the Weekly Interest Rate or Bond Interest Term Rates, or while the Series 2008 Bonds of a series bear interest at a Long-Term Interest Rate and the District has elected to provide for a Liquidity Facility to be in effect during such Long-Term Interest Rate Period, the District may, but will not be required to, pay the purchase price of any related Series 2008 Bonds tendered for purchase pursuant to the provisions of the applicable Series Resolution and described under this subcaption "Tender Provisions" when due if moneys for such purchase are not otherwise available from remarketing proceeds or from funds advanced by the Bank under the Liquidity Facility. In such case, if the funds available for the purchase of such Series 2008 Bonds are insufficient for the purchase of all Series 2008 Bonds of a series tendered or deemed tendered on any purchase date (a "Failed Liquidity Purchase Date"), the Tender Agent will return all Series 2008 Bonds of such series to the Owners thereof, the Tender Agent will return all moneys received for the purchase of such Series 2008 Bonds to the persons who provided such moneys, the Tender Agent will immediately notify the Trustee and the Bond Registrar of such occurrence and the Trustee will cause the Bond Registrar to give the Owners a notice thereof by first class mail, postage prepaid, within three (3) Business Days following such occurrence. Upon such occurrence, the District agrees to pursue such curative action with reasonable diligence as is necessary to effect the purchase or cause the purchase of all of the Series 2008 Bonds of such series. All such Series 2008 Bonds (other than Bank Bonds) will bear interest from the Failed Liquidity Purchase Date to the date that is 75 days thereafter or the date that the District purchases or causes the purchase of all such Series 2008 Bonds, if earlier, at a rate equal to a floating rate per annum equal to 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations, as reported in The Wall Street Journal on the Tuesday preceding the Failed Liquidity Purchase Date and on each Tuesday thereafter, or the next succeeding Business Day if any such Tuesday is not a Business Day, plus .300 basis points (3%). If the District has not purchased or caused to be purchased such Series 2008 Bonds by the date that is 75 days after the Failed Liquidity Purchase Date, then, commencing on the next day and continuing until such Series 2008 Bonds are purchased, the interest rate on such Series 2008 Bonds (other than Bank Bonds) will be 12% per annum. In the event that the District purchases or causes the purchase of the Series 2008 Bonds of a series, such Series 2008 Bonds will thereafter bear interest at a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate, as determined by the District.

Failure by the District to pay the purchase price of any Series 2008 Bonds tendered for purchase pursuant to the provisions of a Series Resolution and described under this subcaption “Tender Provisions” when due, if moneys for such purchase are not otherwise available from remarketing proceeds or from funds advanced by the Bank under the Liquidity Facility; will not constitute an Event of Default under the provisions of the Bond Order.

Payment of Purchase Price by the District During Long-Term Interest Rate Period if Liquidity Facility is Not in Effect. If the Series 2008 Bonds of a series bear, interest at a Long-Term Interest Rate (and a Liquidity Facility is not otherwise required to be in effect pursuant to the related Series Resolution) and the District has elected not to provide for a Liquidity Facility to be in effect during such Long-Term Interest Rate Period, and if the moneys available for the purchase of Series 2008 Bonds under such Series Resolution are insufficient for the purchase of all Series 2008 Bonds of such series which are tendered or deemed tendered for purchase on any mandatory tender date during a Long-Term Interest Rate Period (a “Failed Non-Liquidity Purchase Date”), the Tender Agent will return all Series 2008 Bonds of such series to the Owners thereof, the Tender Agent will return all moneys received for the purchase of such Series 2008 Bonds to the persons who provided such moneys, the Tender Agent will immediately notify the Trustee and the Bond Registrar of such occurrence, the Trustee will cause the Bond Registrar to give the Owners notice by first class mail, postage prepaid, as provided in the related Series Resolution, within three (3) Business Days following such occurrence, and all Series 2008 Bonds of such series will bear interest from such Failed Non-Liquidity Purchase Date at a rate equal to 12% per annum. Upon such occurrence, the District agrees to pursue such curative action with reasonable diligence as shall be necessary to effect the purchase or cause the purchase of all of such Series 2008 Bonds. In the event that the District purchases or causes the purchase of such Series 2008 Bonds, such Series 2008 Bonds will thereafter bear interest at a Weekly Interest Rate, Bond Interest Term Rates or a Long-Term Interest Rate, as determined by the District. If the District fails to purchase or cause the purchase of such Series 2008 Bonds within (30) days after the Failed Non-Liquidity Purchase Date, such failure will constitute an Event of Default under the provisions of the Bond Order, without any written notice thereof from the Trustee to the District and without any extension of such 30-day period to pursue curative action.

Undelivered Series 2008 Bonds. If funds in the amount of the purchase price of any Series 2008 Bond which has not been delivered, in the case of a Series 2008 Bond purchased at the option of the Owner on the date specified for the purchase thereof or, in the case of a Series 2008 Bond subject to mandatory tender for purchase, on the date specified in the related Series Resolution, are available for payment to the Owners of such Series 2008 Bonds on such date, from and after the date and time of that required delivery, (a) such Series 2008 Bonds will be deemed to be purchased and will no longer be deemed to be Outstanding under the Bond Order and the Series Resolution, (b) interest will no longer accrue on such Series 2008 Bonds and (c) funds in the amount of the purchase price of such Series 2008 Bonds will be held by the Tender Agent for the benefit of the Owner thereof (provided that such Owner will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such series 2008 Bonds to the Tender Agent at its office designated for the delivery of Series 2008 Bonds. The Tender Agent may refuse to accept delivery of any Series 2008 Bond for which a proper instrument of transfer has not been provided, but such refusal will not affect the validity of the purchase of such Series 2008 Bond.

Delivery Address for Tender Notices and Tendered Bonds. Notices in respect of tenders for purchase at the election of Owners during a Weekly Interest Rate Period and Series 2008 Bonds subject to optional or mandatory purchase as described above must be delivered to the Tender Agent. See “SECTION VIII -- REMARKETING AGENT AND TENDER AGENT” herein.

Payment of Purchase Price. For payment of the purchase price of any Series 2008 Bond required to be purchased pursuant to a Series Resolution, such Series 2008 Bond must be delivered, at or prior to

10:00 a.m., New York City time, on the date specified in the notice relating to such purchase, to the Tender Agent at its office designated for the delivery of Series 2008 Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or such Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. In the event any such Series 2008 Bond is delivered after 10:00 a.m., New York City time, on such specified date, payment of the purchase price need not be made until the Business Day following the date of delivery of such Series 2008 Bond, but such Series 2008 Bond will nonetheless be deemed to have been purchased on the date specified in such notice and no interest will accrue thereon after such date.

Redemption Provisions

Optional Redemption. On any Interest Payment Date during a Weekly Interest Rate Period, the Series 2008 Bonds will be subject to optional redemption by the District, in whole or in part, at a redemption price of par. On the day succeeding the last day of any BIT with respect to any Series 2008 Bond, such Series 2008 Bond will be subject to optional redemption by the District, in whole or in part, at a redemption price of par.

During any Long-Term Interest Rate Period, the Series 2008 Bonds will be subject to optional redemption by the District on the first day thereof, in whole or in part, at the redemption price of par, and thereafter, during the periods specified below (or if approved by Bond Counsel, during the periods specified in the notice of the District to the Bond Registrar given in connection with an election that such Series 2008 Bonds will bear, or continue to bear, interest at a Long-Term Interest Rate) in whole or in part at any time, at the redemption prices (expressed as a percentage of principal amount) hereinafter indicated (or specified in the notice of the District to the Bond Registrar referenced above), plus accrued interest, if any, to the redemption date:

<u>Length of Long-Term Interest Rate Period (expressed in years)</u>	<u>Redemption Prices</u>
Greater than 10	after 7 years at 101%, declining after one year to 100%
Less than or equal to 10 and greater than 7	after 5 years at 100%
Less than or equal to 7 and greater than 4	after 3 years at 100%
Less than or equal to 4	after 2 years at 100%

Mandatory Redemption of Bank Bonds. Bank Bonds are subject to mandatory redemption prior to maturity, in whole or in part, on any date specified in the Liquidity Facility pursuant to which such Bank Bonds were purchased by the Bank, upon such terms and conditions and in such manner as may be provided for in such Liquidity Facility.

Mandatory Redemption. The Series 2008A Bonds are subject to mandatory redemption on July 1 in each of the following years and amounts at a redemption price equal to 100% of the principal amount of the Series 2008A Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$170,000	2022	\$2,235,000
2013	740,000	2023	2,320,000
2014	765,000	2024	2,400,000
2015	790,000	2025	2,485,000
2016	825,000	2026	2,585,000
2017	855,000	2027	2,685,000
2018	885,000	2028	2,785,000
2019	920,000	2029	2,890,000
2020	2,075,000	2030	1,240,000
2021	2,160,000	2031*	1,285,000

* Maturity

The Series 2008B Bonds are subject to mandatory redemption on July 1 in each of the following years and amounts at a redemption price equal to 100% of the principal amount of the Series 2008B Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$790,000	2021	\$1,105,000
2013	825,000	2022	1,150,000
2014	855,000	2023	1,195,000
2015	885,000	2024	1,240,000
2016	920,000	2025	1,285,000
2017	955,000	2026	1,335,000
2018	990,000	2027	1,385,000
2019	1,030,000	2028	1,435,000
2020	1,065,000	2029	1,490,000

* Maturity

General Redemption Provisions. The Series 2008 Bonds will be redeemed only in Authorized Denominations. If less than all of the Series 2008 Bonds of a series are called for redemption, the Bond Registrar will first select and call for redemption any Bank Bonds of such series before any other Series 2008 Bonds of such series are called for redemption. Thereafter, the Bond Registrar will select the Series 2008 Bonds or portions thereof of such series by lot; provided, however that the remaining Series 2008 Bonds of such series that have not been so called for redemption will be in Authorized Denominations, and provided further that so long as the only Owner of the Series 2008 Bonds of such series is DTC, such selection will be made by DTC. If a portion of a Series 2008 Bond is called for redemption, a new Series 2008 Bond in the principal amount equal to the unredeemed portion thereof will be issued to the Owner upon surrender thereof.

At least 30 days, but not more than 60 days, prior to the redemption date for Series 2008 Bonds, whether such redemption be in whole or in part, the Bond Registrar will cause a notice of redemption to be mailed first-class, postage prepaid, to all Owners of Series 2008 Bonds to be redeemed in whole or in part; provided, however, that notices to DTC will be sent by registered or certified mail. Failure to mail any such notice to any Owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The Bond Registrar will also cause such notice of redemption to be mailed, by registered or certified mail, to two securities depositories and at least two national information services that disseminate redemption information;

provided, however, that failure to give such notice or any defect therein will not affect the validity of any proceedings for such redemption.

With respect to any notice of redemption of Series 2008 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on such Series 2008 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the District shall not be required to redeem such Series 2008 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was: given, that such moneys were not so received.

Upon giving, notice and depositing funds or securities with the Trustee or the Bond Registrar as provided in the Bond Order, the Series 2008 Bonds or portions thereof so called for redemption shall become due and payable on the redemption date, and interest on, such Series 2008 Bonds or portions thereof shall cease to accrue from and after such date.

SECTION IV: THE LIQUIDITY FACILITIES AND THE BANK

The following description of the provisions of the Standby Agreements is equally applicable to the Series 2008A Bonds and the Series 2008B Bonds.

General

As described under “SECTION III: THE SERIES 2008A BONDS and SERIES 2008B BONDS - Tender Provisions” herein, under certain circumstances, the Owners of the Series 2008 Bonds may elect or be required to tender their Series 2008 Bonds for purchase. The District will enter into the Standby Bond Purchase Agreements (the “Standby Agreements”) with the Bank concurrently with the reoffering of the Series 2008A Bonds and the Series 2008B Bonds to ensure timely payment of the purchase price of the Series 2008 Bonds so tendered for purchase. Pursuant to each Standby Agreement, the Bank agrees, subject to the terms and conditions stated therein, to advance funds for the purchase of the related Series 2008 Bonds (excluding any such Series 2008 Bonds registered in the name of, or beneficially owned by, the District) from time to time on the purchase date and at the purchase price specified in the Series Resolution in the event remarketing proceeds are not available therefor. The initial term of the Standby Agreements for the Series 2008A Bonds is stated to expire, subject to earlier termination under certain circumstances, on July 12, 2015. The initial term of the Standby Agreement for the Series 2008B Bonds is stated to expire, subject to earlier termination under certain circumstances, on _____, 20___. By purchasing the Series 2008 Bonds prospective purchasers agree to the terms of the Standby Agreements described herein, including the expiration date described herein, which is earlier than the expiration date of the liquidity facilities currently in effect with respect to the Series 2008 Bonds of December 22, 2015.

Each Standby Agreement secures only payment of the purchase price of related Series 2008 Bonds tendered or deemed tendered for purchase as described above, and does not otherwise secure payment of the principal of, premium, if any, or interest on such Series 2008 Bonds. The Standby Agreements are subject to termination at the option of the Bank as described below.

Immediate Termination by the Bank

The Bank's obligation to purchase the related series of Series 2008 Bonds is subject to immediate termination by the Bank upon the occurrence of any of the following "events of default" under the Standby Agreement for such Series of Series 2008 Bonds, each of which is an "Event of Immediate Termination":

(a) principal or interest with respect to any Series 2008 Bond of the related series (including Bank Bonds (as defined in the related Standby Agreement)) is not paid when due; or

(b) each Rating Agency (as defined in the Standby Agreement) assigns the District's long term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons; or

(c) principal or interest with respect to any other Indebtedness (as defined in the Standby Agreement) issued and outstanding under the Bond Order or any other indebtedness on a parity with the bonds Outstanding under the Bond Order is not paid when due; or

(d) a final and non-appealable order of a court or a final and non-appealable finding of a governmental agency having jurisdiction is entered to the effect that (1) any payment provision of the Standby Agreement or (2) any security interest provided in the Standby Agreement, the Bank Bonds or the Related Documents (as defined in the Standby Agreement) (excluding for this purpose the Remarketing Agreement and the Tender Agreement) is not valid and binding on the District under applicable law, or the District denies that it has any further liability or obligation under the Standby Agreement or any other Related Document (excluding for this purpose the Remarketing Agreement and the Tender Agreement) to which it is a party; or

(e) the District files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws in relief of or relating to debtors or any such petition or action shall be filed against the District and, in the case of any such petition or action filed against the District such petition or action (i) results in the entry of any order for relief or (ii) continues undismissed or pending and unstayed for any period of 60 consecutive days; or

(f) the District fails to pay, when due, an uninsured, final, non-appealable judgment or order for the payment of money in an aggregate amount exceeding \$10,000,000 rendered against the District and such judgment has not been vacated, discharged, satisfied or stayed by the District within 120 days.

Upon the occurrence of an Event of Immediate Termination, the obligation of the Bank to purchase Series 2008 Bonds will immediately terminate without notice or demand and thereafter the Bank will be under no obligation to purchase Series 2008 Bonds. Promptly after the Bank receives written notice of any such Event of Immediate Default, the Bank will give written notice of the same to the Trustee, the District, the Tender Agent, the Bond Registrar, each Rating Agency, the LGC and the Remarketing Agent; provided, however, that the Bank will incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the Bank's obligation to purchase the Series 2008A Bonds or the Series 2008B Bonds pursuant to the Standby Agreement.

Termination by the Bank Resulting in Mandatory Tender

The Bank's obligation to advance funds for the purchase of the Series 2008 Bonds is subject to termination by the Bank upon 30 days' notice to the District, the Trustee, the Bond Registrar, the Tender Agent, each Rating Agency, the LGC and the Remarketing Agent following the occurrence and continuation of any of the following events of default under the Standby Agreement, each of which is an "Event of Notice Termination":

(a) (i) the District fails to perform in all material respects any of the terms, conditions, covenants or agreements required to be performed by the District under the Standby Agreement, or (ii) a material default (other than a failure described in subsection (d) under "--Immediate Termination by the Bank" above) occurs under any Related Document as it exists on the date of the Standby Agreement, and in either such case such failure or default continues uncured for a period of 30 days after the District has been given notice thereof by the Bank); provided such 30-day cure period may be extended up to 30 days so long as such default is not reasonably capable of being cured in 30 days and the District commences and diligently pursues such cure; or

(b) the District fails to pay when due any amount payable under the Standby Agreement other than principal and interest due with respect to the Bank Bonds; or

(c) the District fails to purchase Bank Bonds from the Bank on the dates and in the amounts required by the Standby Agreement; or

(d) any representation or warranty made or deemed made by the District in the Standby Agreement or in any Related Document to which it is a party or representation or warranty made or deemed made by the District in any other document, certificate or instrument delivered thereunder proves to have been untrue or incomplete in any material respect when made or deemed made; or

(e) the District defaults on any Indebtedness of at least \$100,000 and such failure shall continue after any applicable grace period; or

(f) any one of the Rating Agencies assigns the District's long-term unenhanced outstanding bonds a rating which is below investment grade (as specified by such Rating Agency) or withdraws or suspends its rating assigned to the District's long-term unenhanced outstanding bonds for credit related reasons.

In the case of the occurrence of an Event of Notice Termination, the Bank may terminate its obligation under the Standby Agreement by giving written notice as described above, specifying the date on which the Standby Agreement shall terminate, which shall be a Business Day not less than 30 days from the date notice was received. by the Trustee, and at 5:00 p.m. on the specified termination date,-the Bank shall be under no further obligation to fund the purchase of any Series 2008 Bonds under the Standby Agreement and the Standby Agreement will terminate.

Upon the occurrence of an Event of Notice Termination, the related Series 2008 Bonds are subject to mandatory tender for purchase prior to the termination of the related Standby Agreement. See "SECTION III: THE SERIES 2008A BONDS and SERIES 2008B BONDS - Tender Provisions - Mandatory Tender for Purchase Upon Substitution, Expiration, Cancellation or Termination of Liquidity Facility" herein.

Substitute Liquidity Facility

During a Weekly Interest Rate Period or a Short-Term Interest Rate Period, the District is required under the Series Resolutions to cause a Liquidity Facility to be in effect. During a Long-Term Interest Rate Period, the District may elect to provide for a Liquidity Facility to be in effect, but shall not be required to have a Liquidity Facility in effect so long as each Rating Agency then maintaining a long term rating on the Series 2008 Bonds has assigned a long-term rating to the Series 2008 Bonds that is not below its second highest rating category (without regard to gradations by numerical modifier or otherwise). Subject to the conditions set forth in the Series Resolution, including the condition that a Favorable Opinion of Bond Counsel be delivered to the Tender Agent, the District may provide for a Substitute Liquidity Facility for the Liquidity Facility then in effect. In such event, the related Series 2008 Bonds will be subject to mandatory tender for purchase without the right to retain, except as described under "THE SERIES 2008 BONDS -- Tender Provisions -- Mandatory Tender for Purchase Upon Substitution, Expiration, Cancellation or Termination of Liquidity Facility" herein.

The Bond Registrar is required by the related Series Resolution to give notice by mail to the Owners then subject to purchase from a Liquidity Facility on or before the 20th day preceding the expiration of such Liquidity Facility in accordance with its terms, or any termination or replacement of a Liquidity Facility which will cause the related Series 2008 Bonds to cease to be subject to purchase from such Liquidity Facility (except upon the occurrence of an Authorized Liquidity Termination). Such notice is required to set forth the date of any mandatory tender for purchase of the Series 2008 Bonds of a series as described under "THE SERIES 2008 BONDS -- Tender Provisions -- Mandatory Tender for Purchase Upon Substitution, Expiration, Cancellation or Termination of Liquidity Facility" herein, which date will be a Business Day that is not later than ten days after the giving of such notice.

The Bank

[The information contained under this heading has been obtained from the Bank and does not purport to be comprehensive. Such information also replaces in its entirety the information under the caption entitled "THE LIQUIDITY FACILITY AND THE BANK - The Bank" in the Official Statement. Delivery of this Reoffering Circular shall not create any implication that there has been no change in the affairs of the Bank since the date of this Reoffering Circular or that the information contained or referred to under this heading is correct as of any time subsequent to the date hereof. Neither the District nor the Bank has any obligation to update this information.]

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services.

The Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

Effective at 11:59 p.m. on December 31, 2008, Wells Fargo acquired Wachovia Corporation and its subsidiaries in a stock-for-stock merger transaction. Information about this merger has been included in filings made by Wells Fargo with the Securities and Exchange Commission (the "SEC"). Copies of these filings are available free of charge on the SEC's website at www.sec.gov or by writing to Wells Fargo's Corporate Secretary at the address given below.

Each quarter, the Bank files with the FDIC financial reports entitled “Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices,” commonly referred to as the “Call Reports.” The Bank’s Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports contain the most recently filed quarterly reports of the Bank, which include the Bank’s total consolidated assets, total domestic and foreign deposits, and total equity capital. These Call Reports, as well as the Call Reports filed by the Bank with the FDIC after the date of this Remarketing Supplement, may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to the Wells Fargo Corporate Secretary’s Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Standby Agreements will be sole obligations of the Bank and will not be obligations of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof.

Payment of the Standby Agreements will not be insured by the FDIC. – section needs updating]

The information contained under this heading, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided under this heading is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.

SECTION V: THE DISTRICT

The District is a public body and body politic and corporate of the State of North Carolina, exercising public and essential governmental functions and organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, being Article 5, Chapter 162A of the General Statutes of North Carolina, as amended. APPENDIX A hereto contains the District’s general purpose financial statements and the notes thereto, lifted from the District’s audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

Historical Income Available for Debt Service and Debt Service Coverage

The table below presents the Income Available for Debt Service of the District for the five Fiscal Years ended June 30, 2007 to 2011 and the ratio of Income Available for Debt Service to the Long-Term Debt Service Requirement on the Bonds at the time Outstanding under the Bond Order and the Enka Bond. The table was prepared using the District’s audited financial statements for such years (restated to present any prior period amounts in the proper year) and the provisions of the Bond Order applicable to the determination of Income Available for Debt Service. These calculations of Income Available for Debt Service, defined in the Bond Order as being the excess of Revenues over Current Expenses, differ in several important aspects from the District’s calculations of net income prepared in conformity with generally accepted accounting principles in that they do not include certain revenues and expenses as specified in the Bond Order. See “DEFINITIONS OF CERTAIN TERMS” in APPENDIX D in the Series 2008 Official Statement, incorporated by reference, in SECTION II: INCLUSION BY SPECIFIC REFERENCE for the definitions of “Current Expenses” and “Revenues.”

	FISCAL YEAR ENDED JUNE 30				
	2007	2008	2009	2010	2011
Revenues	\$	\$			
Operating					
Nonoperating					
Less:	\$()	0			
Gain (loss) on sale of capital assets					
Gifts, grants, donations	()	()			
Investment income—restricted accounts	()	()			
Total Revenues	\$	\$			
Current Expenses					
Operating	\$	\$			
Nonoperating					
Less:					
Depreciation	\$()	\$()			
Amortization	()	()			
Interest	()	()			
Total Current Expenses	\$	\$			
Income Available for Debt Service	\$	\$			
Long-Term Debt Service Requirement	\$	\$			
Ratio of Income Available for Debt Service to Long-Term Debt Service Requirement	x	x			

Litigation

[No litigation is now pending or, to the best of the District's knowledge, threatened against or affecting the District which seeks to restrain or enjoin the authorization, execution or delivery of the Series 2008 Bonds, the Bond Order or the Series Resolution, or which contests the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2008 Bonds, or the District's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the District's authorization, execution and delivery of the Bond Order, the Series Resolution or the Series 2008 Bonds, or the District's authority to carry out its obligations thereunder, or which would have a material adverse effect on the District's condition, financial or otherwise.]

SECTION VI: TAX MATTERS

Concurrently with the respective original issuances and deliveries of the Series 2008A Bonds and Series 2008B Bonds, Sidley Austin LLP, New York, New York, Bond Counsel, delivered its opinions (each, an “Approving Opinion”) to the effect that as of the date of issuance of the related series of Series 2008 Bonds, assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on such related series of Series 2008 Bonds would not be includable in the gross income of the Bondholders thereof for federal income tax purposes and such interest would not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. In each Approving Opinion, Sidley Austin LLP also delivered its opinion that interest on the related series of Series 2008 Bonds is exempt from personal income taxes imposed by the State of North Carolina. Neither Approving Opinion has been updated or reissued in connection with the substitution of the Liquidity Facilities and the remarketing of the Series 2008A Bonds and Series 2008B Bonds. On the Substitution Date, Sidley Austin LLP, Bond Counsel, will deliver an opinion to the effect that the substitution of the Liquidity Facility with respect to each series of Series 2008 Bonds will not in and of itself impair the exclusion of interest on the related series of Series 2008 Bonds from gross income for purposes of federal income taxation. Bond Counsel will not express an opinion regarding the current status of such interest for federal income tax purposes. Consistent with customary procedures involving substitutions of liquidity facilities securing outstanding bonds and related changes to documents authorizing the issuance of such bonds and setting forth the terms of such bonds, Bond Counsel has not been asked to conduct, and has not conducted any review of facts and circumstances relating to the tax status of interest on the Series 2008A Bonds or the Series 2008B Bonds and expresses no opinion as to whether interest on the Series 2008A Bonds or the 2008B Bonds is currently excluded from gross income for federal income tax purposes.

Collateral Tax Matters and Future Developments

Bond Counsel expresses no opinion as to whether the interest on the Series 2008A Bonds or the Series 2008B Bonds is currently excluded from gross income for federal income tax purposes. Assuming that the interest on the Series 2008A Bonds and 2008B Bonds is currently excluded from gross income for federal and State income tax purposes, purchasers of the Series 2008A Bonds and 2008B Bonds should be aware of following:

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2008A Bonds and Series 2008B Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Series 2008A Bonds and Series 2008B Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2008A Bonds and Series 2008B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service (the “IRS”) as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt

recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2008A Bonds and Series 2008B Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2008A Bonds and Series 2008B Bonds. Prospective purchasers of the Series 2008A Bonds and Series 2008B Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, based on a proposal by the President, the Senate Majority Leader introduced a bill, S. 1549 (the "Proposed Legislation"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2008A Bonds and Series 2008B Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation in tax years beginning after December 31, 2012. The Proposed Legislation would also provide special rules for such bondholders that are also subject to the alternative minimum tax. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series 2008A Bonds and Series 2008B Bonds to a tax or cause interest on the Series 2008A Bonds and Series 2008B Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

SECTION VII: RATINGS

[Fitch Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned their long-term ratings of "___," "___" and "___", respectively, to the Series 2008 Bonds. In addition, based solely on the Standby Agreements, S&P has assigned the Series 2008 Bonds a short-term rating of "___." Any explanation of the significance of each of such ratings may only be obtained from the rating agencies as follows: Fitch, One State Street Plaza, New York, New York, 10004 (212) 908-0500; Moody's, World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300; and S&P, 55 Water Street, New York, New York 10004, (212) 208-8000.

There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the rating agencies, or any of them. Any such downward change in or suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2008 Bonds.]

SECTION VIII: REMARKETING AGENT AND TENDER AGENT

Wells Fargo Bank National Association, Charlotte, North Carolina, has been appointed by the District to serve as Remarketing Agent for the Series 2008 Bonds. The Remarketing Agent will carry out the duties and obligations provided for the Remarketing Agent in accordance with the provisions of the Series Resolution, the Tender Agreement and the Remarketing Agreement. The Remarketing Agent's

principal office for purposes of carrying out the responsibilities of Remarketing Agent for the Series 2008 Bonds is _____.

The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, has been appointed by the District as the Tender Agent for the Series 2008 Bonds and has arranged for the tender of the Series 2008 Bonds to it at The Bank of New York Mellon Trust Company, N.A., 111 Sanders Creek Parkway, East Syracuse, New York 13057, Attention: Corporate Trust Department. Notices should be delivered to the Tender Agent at The Bank of New York Mellon Trust Company, N.A., 10161 Centurion Parkway, Jacksonville, Florida 32256, Attention: Corporate Trust Department.

SECTION IX: APPROVAL OF LEGALITY

Certain legal matters incidental to the authorization and issuance of the Series 2008A Bonds and Series 2008B Bonds by the District were subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel, which delivered the approving opinion in connection with the initial issuance of the Series 2008A Bonds and 2008B Bonds. A copy of the approving opinion delivered in connection with the original issuance of the Series 2008A and Series 2008B Bonds is set forth in Appendix B hereto. On the Substitution Date, Sidley Austin LLP will deliver its opinion to the effect that the substitution of the Liquidity Facilities with respect to the Series 2008A Bonds and Series 2008B Bonds will not cause interest on the Series 2008A Bonds and Series 2008B Bonds to be included in gross income of the owners of such Series 2008A Bonds and 2008B Bonds for purposes of federal income taxation.

Certain legal matters will be passed upon for the Bank by McGuireWoods LLP, Charlotte, North Carolina, counsel to the Bank, and for the District by Roberts & Stevens, P.A., Asheville, North Carolina, counsel to the District.

SECTION X: FINANCIAL STATEMENTS

The financial statements of the District as of and for the year ended June 30, 2011, included in this Reoffering Circular, as Appendix A, have been audited by _____, independent auditors, as stated in their report dated _____, 2011 appearing herein in Appendix A. That report contains an explanatory paragraph regarding the restatement of beginning net assets (deficit) and fund balance.

SECTION XI: MISCELLANEOUS

The references herein to the Bond Order, the Series Resolutions and the Standby Agreements are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the actual documents, copies of which are available for inspection in the offices of the District, for the full and complete provisions thereof.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Owners of the Series 2008A Bonds or the Series 2008B Bonds.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2008 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement. The District and the LGC have authorized the execution and delivery of this Official Statement.

LOCAL GOVERNMENT COMMISSION OF
NORTH CAROLINA

By: /s/
Secretary of the Commission

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY

By: /s/
Chairman of District Board

By: /s/
General Manager

TABLE OF CONTENTS

SECTION I: Introduction..... 1
SECTION II: Inclusion by Specific Reference..... 2
SECTION III: The Series 2008A Bonds and Series
2008B Bonds 2
General 2
Interest Rates 3
Adjustment of Interest Rate Periods 6
Tender Provisions..... 7
Redemption Provisions 11
SECTION IV: The Liquidity Facilities and the Bank 13
General 13
Immediate Termination By Bank..... 13
Termination by the Bank Resulting in Mandatory
Tender..... 14
Substitute Liquidity Facility..... 15
The Bank 16
SECTION V: The District..... 17
Historical Income Available for Debt Service and
Debt Service Coverage 17
Litigation 18
SECTION VI: Tax Matters 19
SECTION VII: Ratings 20
SECTION VIII: Remarketing Agent and Tender Agent 20
SECTION IX: Approval of Legality..... 21
SECTION X: Financial Statements 21
SECTION XI: Miscellaneous 21

APPENDIX A—FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR’S REPORT..... A-1
APPENDIX B—ORIGINAL APPROVING OPINION
OF BOND COUNSEL..... B-1

**METROPOLITAN SEWERAGE
DISTRICT OF BUNCOMBE
COUNTY, NORTH CAROLINA**

\$ _____

**Sewerage System Refunding Bonds,
Series 2008A and Series 2008B**

REOFFERING CIRCULAR

_____, 2012

PRELIMINARY BUDGET

Metropolitan Sewerage District of Buncombe County Board Action Item

Meeting Date: May 16, 2012

Submitted By: Thomas E. Hartye, PE., General Manager

Prepared By: W. Scott Powell, CLGFO, Director of Finance

Subject: Consideration of Resolution adopting the Preliminary Budget for FY 2012-2013 and Schedule of Sewer Rates & Fees

Background

The District Budget process must comply with North Carolina General Statutes and the MSD Revenue Bond Order. The Bond order requires that the District adopt its final budget on or before June 15 of each year. The North Carolina General Statutes required that an annual balanced budget ordinance, based upon expected revenues, along with a budget message, to be presented to the governing board no later than June 1 of each year.

Staff/Finance Committee Recommendations

BUDGET:

The Finance Committee unanimously approved staff's recommendation to forward to the Board for approval of the attached Proposed FY 2012-2013 Budget along with the Resolution.

SEWER RATES & FEES:

The Finance Committee unanimously approved staff's recommendation to forward to the Board for approval of the attached Proposed Schedule of Fees and Charges – FY2013.

Action Taken

Motion by:

to

Approve

Disapprove

Second by:

Table

Send to Committee

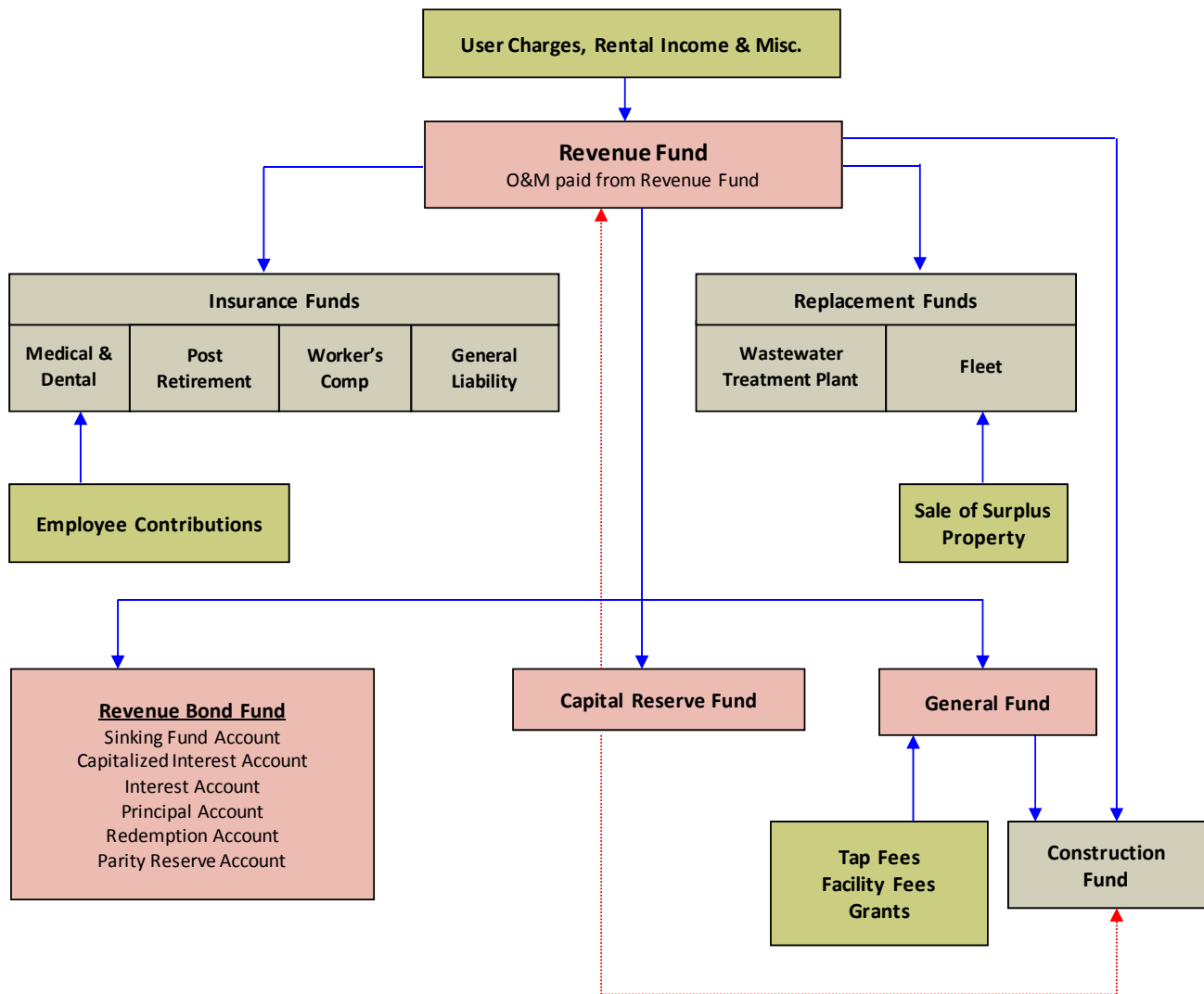
Other:

Follow-up required:

Person responsible:

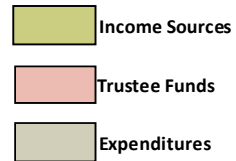
Deadline:

Flow of Funds – Bond Order



Priority of expenditures per Bond Order

1. Current Expenditures
2. Debt Service
3. Capital Reserve
4. Any Lawful Purpose



————— Flow of Funding

- - - - - Flow of Funding if required for emergency repairs or maintenance

Resolution – Preliminary Budget & Sewer Charges

**RESOLUTION ADOPTING PRELIMINARY BUDGET AND SEWER USE CHARGES
FOR THE
METROPOLITAN SEWERAGE DISTRICT
OF BUNCOMBE COUNTY, NORTH CAROLINA
FOR THE FISCAL YEAR JULY 1, 2012 THRU JUNE 30, 2013**

WHEREAS, the Board of Directors has reviewed the Operations and Maintenance, Bond, Reserves, and Construction Expenditures of the District and the sources of revenue and allocations (uses) of expenditures for the 2012-2013 fiscal year; and

NOW, THEREFORE, BE IT RESOLVED:

1. The following amounts are hereby appropriated in the Revenue Fund for the Operations and Maintenance of the District and for transfers to the debt service and general funds for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Operating and Maintenance Expenses	\$	11,436,772
Transfer to insurance accounts	\$	2,778,762
Transfer to Fleet Replacement Reserve	\$	400,000
Transfer to Wastewater Treatment Plant Reserve	\$	<u>100,000</u>
Subtotal O&M	\$	14,715,534
Transfer to Debt Service Fund	\$	8,238,321
Transfer to General Fund	\$	<u>15,625,000</u>
	\$	<u><u>38,578,855</u></u>

It is estimated that the following revenues will be available in the Revenue Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Domestic User Fees	\$	26,171,162
Industrial User Fees	\$	1,696,137
Billing and Collection Fees	\$	677,544
Investment Interest	\$	209,748
Reimbursement for Debt Service from COA	\$	37,000
Rental Income	\$	67,872
Appropriated Net Assets	\$	<u>9,719,392</u>
	\$	<u><u>38,578,855</u></u>

2. The following amounts are hereby appropriated in the General Fund for the transfers to the construction fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Transfer into construction	\$	<u><u>18,364,180</u></u>
----------------------------	----	--------------------------

Resolution – Preliminary Budget & Sewer Charges

It is estimated that the following revenues will be available in the General Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Facility and Tap Fees	\$	1,355,000
Investment Income	\$	25,000
Transferred from Revenue Fund	\$	15,625,000
Appropriated Net Assets	\$	<u>1,359,180</u>
	\$	<u><u>18,364,180</u></u>

3. The following amounts are hereby appropriated in the Construction Fund for Capital Improvement Plan expenditures for the fiscal year beginning July 1, 2012 and ending June 30, 2013.

Capital Improvements Projects	\$	<u><u>18,364,180</u></u>
-------------------------------	----	--------------------------

It is estimated that the following revenues will be available to the Construction Fund for the Fiscal year beginning July 1, 2012 and ending June 30, 2013.

Investment Income	\$	1,000
Transfer from General Fund	\$	18,364,180
Contributions to Net Assets	\$	<u>(1,000)</u>
	\$	<u><u>18,364,180</u></u>

4. The following amounts are presented as the financial plan for the Internal Service Funds used to provide insurance services. Estimated operating expenditures for the fiscal year beginning July 1, 2012 and ending June 30, 2013 are:

Operating expenditures	\$	<u><u>3,251,868</u></u>
------------------------	----	-------------------------

It is estimated that the following revenues will be available in the Insurance Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Transfer in from the Revenue Fund	\$	2,778,762
Investment income	\$	10,000
Employee health insurance premiums	\$	413,000
Appropriated Net Assets	\$	<u>50,106</u>
	\$	<u><u>3,251,868</u></u>

5. The following amounts are presented as the Financial Plan in the Fleet Replacement Fund for the Internal Service Fund serving as capital equipment expenditures for the fiscal year beginning July 1, 2012 and ending June 30, 2013 are estimated as follows:

Capital equipment	\$	<u><u>454,000</u></u>
-------------------	----	-----------------------

Resolution – Preliminary Budget & Sewer Charges

It is estimated that the following revenues will be available in the Fleet Replacement Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Transfer in from the Revenue Fund	\$	400,000
Sale of surplus property	\$	46,680
Investment income	\$	2,981
Appropriated Net Assets	\$	<u>4,339</u>
	\$	<u>454,000</u>

6. The following amounts are presented as the Financial Plan in the Wastewater Treatment Plant Replacement Fund for the internal service fund designated as expenditures for the fiscal year beginning July 1, 2012 and ending June 30, 2013 are estimated as follows:

Capital equipment	\$	<u>200,000</u>
-------------------	----	----------------

It is estimated that the following revenues will be available in the Wastewater Treatment Plant Replacement Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Transfer in from the Revenue Fund	\$	100,000
Investment income	\$	4,000
Appropriated Net Assets	\$	<u>96,000</u>
	\$	<u>200,000</u>

7. The following amounts are hereby appropriated in the Debt Service Fund for principal and interest payments for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Debt Service	\$	<u>8,238,321</u>
--------------	----	------------------

It is estimated that the following revenues will be available in the Debt Service Fund for the fiscal year beginning July 1, 2012 and ending June 30, 2013:

Transfer in from the Revenue Fund	\$	8,238,321
Investment Income	\$	250
Contribution to Net Assets	\$	<u>(250)</u>
	\$	<u>8,238,321</u>

8. That the Board of the Metropolitan Sewerage District does hereby approve an increase in the Budgets to the amount necessary to reflect any contributions to the Debt Service Reserve Fund or Capital Reserve Fund as determined by the Bond Trustee to be necessary to comply with covenants in the Bond Order.

Resolution – Preliminary Budget & Sewer Charges

9. The General Manager is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a. He may transfer amounts without limitation between departments in a fund.
- b. He may transfer any amounts within debt service and reserve funds designated as excess by the Trustee into another fund.

10. That the attached schedule of fees and charges be adopted as effective July 1, 2012.

11. That this resolution shall be entered in the minutes of the District and within five (5) days after its adoption, copies thereof are ordered to be filed with the Finance and Budget Officer and Secretary of the Board as required by G.S. 159-13 (d).

Adopted this 16th day of May 2012

Steven T. Aceto, Chairman
Metropolitan Sewerage District of
Buncombe County, North Carolina

Attest:

Jackie Bryson
Secretary/Treasurer

Schedule of Rates & Fees – FY2013

Rate increase

Average Monthly Sewer Charge (Without Billing Charges)

Average Monthly Sewer Charge (With 1/2 Billing Charges-COA example)

Collection Treatment Charge

Residential & Commercial Volume Charges (per CCF) Inside

Industrial Volume Charges (per CCF) Inside

Industrial Surcharge for BOD (per lb., BOD >200 mg/l) Inside

Industrial Surcharge for TSS (per lb., TSS >200 mg/l) Inside

Residential & Commercial Volume Charges (per CCF) Outside

Industrial Volume Charges (per CCF) Outside

Industrial Surcharge for BOD (per lb., BOD >200 mg/l) Outside

Industrial Surcharge for TSS (per lb., TSS >200 mg/l) Outside

Base Meter/Maintenance Charge & Billing Fee

5/8"

3/4"

1"

1 1/2"

2"

3"

4"

6"

8"

10"

Billing Fee (per bill)

Sewer Facility Fees

Residential

Per Unit (non-mobile home)

Mobile Home

Affordable Housing

Nonresidential (modifiable per economic development waiver)

5/8"

3/4"

1"

1 1/2"

2"

3"

4"

6"

8"

Additions < 1,400 GPD

	CURRENT FY12 RATE	PROPOSED FY13 RATE
	3.00%	2.50%
Average Monthly Sewer Charge (Without Billing Charges)	\$ 25.38	\$ 26.03
Average Monthly Sewer Charge (With 1/2 Billing Charges-COA example)	\$ 26.45	\$ 27.14
Collection Treatment Charge		
Residential & Commercial Volume Charges (per CCF) Inside	\$ 3.88	\$ 3.98
Industrial Volume Charges (per CCF) Inside	\$ 2.740	\$ 2.975
Industrial Surcharge for BOD (per lb., BOD >200 mg/l) Inside	\$ 0.354	\$ 0.345
Industrial Surcharge for TSS (per lb., TSS >200 mg/l) Inside	\$ 0.273	\$ 0.269
Residential & Commercial Volume Charges (per CCF) Outside	\$ 3.89	\$ 3.99
Industrial Volume Charges (per CCF) Outside	\$ 2.750	\$ 2.985
Industrial Surcharge for BOD (per lb., BOD >200 mg/l) Outside	\$ 0.354	\$ 0.345
Industrial Surcharge for TSS (per lb., TSS >200 mg/l) Outside	\$ 0.273	\$ 0.269
Base Meter/Maintenance Charge & Billing Fee		
5/8"	\$ 5.98	\$ 6.13
3/4"	\$ 8.71	\$ 8.93
1"	\$ 15.43	\$ 15.82
1 1/2"	\$ 35.36	\$ 36.24
2"	\$ 62.55	\$ 64.11
3"	\$ 138.71	\$ 142.18
4"	\$ 247.51	\$ 253.70
6"	\$ 557.56	\$ 571.50
8"	\$ 990.03	\$ 1,014.78
10"	\$ 1,550.31	\$ 1,589.07
Billing Fee (per bill)	\$ 2.14	\$ 2.21
Sewer Facility Fees		
Residential		
Per Unit (non-mobile home)	\$ 2,500	\$ 2,500
Mobile Home	\$ 1,740	\$ 1,740
Affordable Housing	\$ 670	\$ 670
Nonresidential (modifiable per economic development waiver)		
5/8"	\$ 2,500	\$ 2,500
3/4"	\$ 2,830	\$ 2,830
1"	\$ 5,560	\$ 5,560
1 1/2"	\$ 11,350	\$ 11,350
2"	\$ 20,000	\$ 20,000
3"	\$ 45,000	\$ 45,000
4"	\$ 87,500	\$ 87,500
6"	\$ 225,400	\$ 225,400
8"	\$ 237,500	\$ 237,500
Additions < 1,400 GPD	\$ 870	\$ 870

Note: Facility fees being raised to actual allocated cost at March 2006 over 5 years.

Schedule of Rates & Fees – FY2013

	CURRENT FY12 RATE	PROPOSED FY13 RATE
Sewer Tap Fees		
Tap installed by MSD	\$ 650	\$ 650
Additional Charge for Pavement Disturbance	\$ 2,200	\$ 2,200
Additional Charge for Boring	N/A	N/A
Refund if Boring avoids pavement disturbance	\$ (1,300)	\$ (1,300)
Inspection Fee for Developer-Installed Tap	\$ 140	\$ 140
Manhole Installation/Replacement		
Cost per foot	\$ 250	\$ 250
Pavement replacement (if required)	\$ 1,800	\$ 1,800
Other Fees		
Allocation Fee	\$ 170	\$ 170
Non-Discharge Permit	\$ 200	\$ 200
Plan Review Fee	\$ 450	\$ 450
Plan re-review Fee	\$ 350	\$ 350
Final Inspection	\$ 350	\$ 350
Pump Station Acceptance Fee	Note 1	Note 1
Note 1-- See policy for details of computation of O&M and equipment replacement costs for upcoming 20 years; 50% discount for affordable housing		
Bulk Charges		
Volume Charge for Septic Haulers (per 1000 Gal.)	\$ 45.00	\$ 45.00
Biochemical Oxygen Demand >200 mg/l (per lb.)	\$ 0.354	\$ 0.345
Total Suspended Solids >200 mg/l (per lb.)	\$ 0.273	\$ 0.269
Returned Check Charge		
Returned Check (per event)	\$ 25.00	\$ 25.00
Dishonored Draft (per event)	\$ 25.00	\$ 25.00
Copy and Printing Fees (each)		
8x11 first print of standard GIS inquiry	\$ 1.00	\$ 1.00
8x14 first print of standard GIS inquiry	\$ 1.00	\$ 1.00
11x17 first print of standard GIS inquiry	\$ 2.00	\$ 2.00
24x36 first print of standard GIS inquiry	\$ 7.00	\$ 7.00
34x44 first print of standard GIS inquiry	\$ 12.00	\$ 12.00
36x48 first print of standard GIS inquiry	\$ 14.00	\$ 14.00
8x11, 8x14 and 11x17 copies after first print	N/A	N/A
8x11 or 8x14 copies after first print	\$ 0.11	\$ 0.11
11x17 copies after first print	\$ 0.20	\$ 0.20
24x36 copies after first print	\$ 0.94	\$ 0.94
34x44 copies after first print	\$ 1.76	\$ 1.76
36x48 copies after first print	\$ 2.03	\$ 2.03
Foam Core mounting per sq. foot	\$ 3.00	\$ 3.00
Data CD	\$ 30.00	\$ 30.00
Shipping for CD	\$ 5.00	\$ 5.00

STATUS REPORTS

***Right of Way Section
3rd Quarter Summary
Open Projects***

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expends to Date</i>	<i>Comment</i>
165 Old County Home Road SS Rehabilitation	\$10,478	\$1,900	Project 100% complete with 18% of Total Budget expended and no condemnations.
Bradley Branch Road GSR	\$59,229	\$50,875	Project 100% complete with 86% of Total Budget expended and no condemnations.
Brookcliff Drive PRP 59001 Sewer Replacement	\$11,905	\$2,009	Access 34% complete with 17% of Total Budget expended to date.
Central Avenue GSR	\$25,424	\$300	Access 25% complete with 1% of Total Budget expended to date.
Dingle Creek Interceptor (formerly Ph II)	\$64,657	\$48,004	Access 100% complete with 74% of Total Budget expended to date. One condemnation filed with judgment pending.
Forest Hill Drive #2 PRP	\$90,058	\$75,030	Access 100% complete with 83% of Total Budget expended to date. Two condemnations filed with judgments pending.
Givens Estate Sanitary Sewer Rehabilitation	\$49,137	\$20,890	Access 88% complete with 43% of Total Budget expended to date. One condemnation anticipated.
Long Shoals Road PRP	\$340,584	\$219,443	Access 100% complete with 64% of Total Budget expended to date. Three condemnations filed; two settled prior to trial; one pending trial.
Lower Smith Mill Creek Rehabilitation	\$350,324	\$315,620	Access 100% complete with 90% of Total Amended Budget expended to date. Ten condemnations filed; two have been dismissed, seven settled prior to trial and one pending judgment.
Macon Ave @ Sunset Parkway GSR	\$39,284		Started project in January and alignments changed thereafter. Awaiting revised plans/plats.
Meadow Lark Road GSR	\$11,571	\$2,071	Project 100% complete with 18% of Total Budget expended and no condemnations
Merrimon Avenue @ Stratford Road GSR	\$55,854	\$44,030	Access 100% complete with 79% of Total Budget expended to date. One condemnation filed with judgment pending.
Moore Circle PRP 45001	\$23,896	\$13,531	Project 100% complete with 57% of Total Budget expended and no condemnations.
Old Home @ Weaverville Highway PRP	\$100,394	\$99,277	Access 100% complete with 99% of Total Budget expended to date. Market values much greater than tax values in this corridor and appraised damages were high. One condemnation filed with judgment pending.

<i>Project</i>	<i>Total ROW Budget</i>	<i>Total Expenditures to Date</i>	<i>Comment</i>
Short Coxe @ Southside	\$165,652	\$109,953	Access 67% complete with 66% of Total Budget expended to date. Five condemnations/declaratory judgments filed. Two settled for appraised damages; three judgements pending.
Town Mountain Road 4" Main Rehabilitation	\$14,992	\$5,500	All three parcels owned by the same person who is unwilling to grant easement. Condemnations filed with judgments pending. 37% of Total Budget expended to date.
West French Broad Interceptor Extension			Master Plan project. Held initial meetings with owners; received authority to survey and proceed with design. Appraiser's report of market values indicates pricing in the \$40,000 to \$65,000 per acre range. Budget to be developed upon receipt of plats.
Willowbrook Road Sanitary Sewer Rehabilitation	\$27,105	\$5,985	Project 100% complete with 22% of Total Budget expended and no condemnations.

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

May 9, 2012

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
DILLINGHAM ROAD - 4 INCH MAIN	Terry Brothers	3/21/2012	4/16/2012	8/14/2012	\$149,902.00	0%	Informal Plans have been sent to DOT for approval of revision of the Haw Creek bore.
FIBER OPTIC CONDUIT INSTALLATION	S & S Cable, Inc.	2/21/2012	3/15/2012	5/28/2012	\$49,956.14	100%	Informal Project is complete and in close out.
PATTON AVENUE @ PARKWOOD ROAD	Huntley Construction	1/18/2012	5/11/2012	9/8/2012	\$243,718.16	0%	Informal Work is expected to begin this week.
PIPE RATING CONTRACT #6 (LINING)	Improved Technologies Group	10/19/2011	12/5/2011	7/2/2012	\$808,846.50	75%	Formal Pipe lining and open dig portions of the project are complete including all pavement restoration. Manhole lining should begin soon.
ROEBLING CIRCLE	Terry Brothers	3/21/2012	4/16/2012	8/14/2012	\$52,241.00	0%	Informal Construction has not begun yet. Work will begin as soon as Terry Brothers has a crew available.
ROLLINGWOOD ROAD	Huntley Construction	8/17/2011	9/19/2011	4/30/2012	\$206,957.50	95%	Informal Project is complete and awaiting punch list inspection.
TOWN BRANCH INTERCEPTOR PHASE II	Moore & Son	6/15/2011	7/18/2011	5/18/2012	\$556,273.80	95%	Formal Project is complete and awaiting punch list inspection.
TOWN MOUNTAIN ROAD (4-INCH MAIN)	Terry Brothers	1/18/2012	4/10/2012	8/8/2012	\$284,847.00	20%	Informal Construction is progressing well.
VA HOSPITAL (PRP 28001)	Huntley Construction	12/14/2011	2/6/2012	6/5/2012	\$200,786.99	90%	Informal All pipe work is complete; pavement awaiting a weekend schedule.
WRF - FINAL MICROSCREEN REPLACEMENT	Hickory Construction	10/20/2010	1/3/2011	9/30/2012	\$8,972,321.36	70%	Formal Piping and equipment is being installed in all quads. Concrete work is complete. Electricians are making connections to equipment.
WRF - ROOF REPLACEMENT ON FINAL MICROSCREEN BUILDING	Carolina Specialties	2/3/2012	4/2/2012	5/31/2012	\$110,719.00	45%	Informal Southern half of roof has been stripped; built up insulation installed; and membrane glued in place. Southern half of parapet walls have been covered with membrane.

***Updated to reflect approved Change Orders and Time Extensions**

Planning and Development Projects Status Report
May 16, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Davidson Road Sewer Extension	2004154	Asheville	3	109	12/15/2004	Complete-Waiting on final documents
	Riverbend Urban Village	2004206	Asheville	260	1250	8/29/2006	Redesign
	N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
	Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
	Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
	MWB Sewer Extension	2008046	Asheville	Comm.	285	5/12/2008	Complete - Waiting on final documents
	Black Mtn Annex: Avena Rd.	1999026	Black Mtn.	24	4,300	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	Complete-Waiting on final documents
	Kenilworth Healthy Built	2011030	Asheville	5	252	8/23/2011	Complete - Waiting on final documents
	Haw Creek Tract	2006267	Asheville	49	1,817	10/16/2007	Complete - Waiting on final documents
	Haywood Village	2007172	Asheville	55	749	7/15/2008	Complete - Waiting on final documents
	Buncombe County Animal Shelter	2007216	Asheville	Comm.	78	5/1/2008	Complete - Waiting on final documents
	Lodging at Farm (Gottfried)	2008169	Candler	20	45	6/2/2009	Complete - Waiting on final documents
	Camp Dorothy Walls - Ph. 1	2007294	Black Mtn.	Comm.	593	6/16/2009	Complete - Waiting on final documents
	Greeley Street	2011053	Asheville	2	119	9/15/2011	Complete - Waiting on final documents
	Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	Complete - Waiting on final documents
	North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Complete - Waiting on final documents
	Lutheridge - Phase I	2009112	Arden	Comm.	330	3/16/2010	Complete-Waiting on final documents
	AVL Technologies	2010018	Woodfin	Comm.	133	5/21/2010	Complete-Waiting on final documents
	UNC-A New Residence Hall	2011047	Asheville	304	404	8/29/2011	Complete-Waiting on final documents
	Falcon Ridge	2004240	Asheville	38	3,279	10/11/2006	Complete-Waiting on final documents
	Fairview Road Property	2010043	Asheville	10	542	11/9/2011	Complete-Waiting on final documents
	Larchmont Apartments	2011014	Asheville	60	26	6/23/2011	Complete-Waiting on final documents
	Versant Phase I	2007008	Woodfin	64	12,837	2/14/2007	Complete-Waiting on final documents
	Emergency Services Training Center	2009027	Woodfin	Comm.	2,512	2/7/2011	Complete-Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents

Subtotal	1008	36,953
----------	------	--------

Planning and Development Projects Status Report
May 16, 2012

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Dollar General - Smokey Park	2011048	Candler	Comm.	100	3/13/2012	Pre-con held, ready for construction
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Dollar Tree - Weaverville	2011113	Weaverville	Comm.	75	2/23/2012	Testing
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing / in foreclosure
	Brookside Road Relocation	2008189	Black Mtn	N/A	346	1/14/2009	Pre-con held, ready for construction
	Scenic View	2006194	Asheville	48	534	11/15/2006	Ready for final inspection
	Ingles	2007214	Black Mtn.	Comm.	594	3/4/2008	Ready for final inspection
	Bartram's Walk	2007065	Asheville	100	10,077	7/28/2008	Punchlist pending
	Morgan Property	2008007	Candler	10	1,721	8/11/2008	Pre-con held, ready for construction
	Village at Bradley Branch - Ph. III	2008076	Asheville	44	783	8/8/2008	Ready for final inspection
	Canoe Landing	2007137	Woodfin	4	303	5/12/2008	Ready for construction
	Central Valley	2006166	Black Mtn	12	472	8/8/2007	Punchlist pending
	CVS-Acton Circle	2005163	Asheville	4	557	5/3/2006	Ready for final inspection
	Hamburg Mountain Phase 3	2004086	Weaverville	13	844	11/10/2005	Ready for final inspection
	Bostic Place Sewer Relocation	2005102	Asheville	3	88	8/25/2005	Ready for final inspection
	Kyfields	2003100	Weaverville	35	1,118	5/10/2004	Ready for final inspection
	Thom's Estate	2006309	Asheville	40	3,422	1/24/2008	Ready for final inspection
	Thom's Estate - Phase II	2008071	Asheville	40	3,701	2/9/2011	Testing
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Redesign
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Testing
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	Thoms Estate 3A	2011022	Asheville	8	457	10/24/2010	Pre-con held, ready for construction
	Olive Garden	2011074	Asheville	Comm.	500	12/12/2011	Installing
	Harris Teeter - Merrimon Ave.	2011045	Asheville	Comm.	789	3/27/2012	Pre-con held, ready for construction
	Pisgah Manor Skilled Nursing Facility	2012008	Candler	Comm.	131	4/9/2011	Pre-con held, ready for construction
	Quality Oil - Fairview	2011081	Buncombe Co.	Comm.	522	3/20/2012	Pre-con held, ready for construction

Subtotal	2469	108,031
Total Units:	3,477	
Total LF:		144,984